Austria ... Sch. 22	Indonesia . Rp 3100	Philippines Pes 20
Bahrain .. Din 0.550	Israel .... NS 3.50	Portugal ... Esc 100
Belgium .. BFr 48	Italy .... L 1600	S Arabia . Rls 8 00
Canada ... C$1.00	Japan Y600	Singapore . S$ 4 10
Cyprus ... C£0 75	Jordan ... Fils 500	Spain .... Pta 125
Denmark . DKr 9.00	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Egypt .... E£2.25	Lebanon . £L 50.00	Sweden .. SKr 8.00
Finland .. Fmk 7.00	Luxembourg . LFr.48	Switzerland SFr 2.20
France .. FFr. 8.50	Malaysia .. Rm 4.25	Taiwan ... NT $85
Germany . DM 2.20	Mexico .. Pes 300	Tunisia .. Din 0.800
Greece .... Dr 100	Morocco .. Dh 6.00	Turkey ..... L 500
Hong Kong .. HK$ 12	Netherlands .. Fl 3.00	U.A.E. ... Dh 6.50
India .... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,236 — Monday May 18 1987 — D 8523 A

EC to consider reform of farm policy, Page 3

Bombs break lull in Madrid violence

Suspected Basque guerrillas exploded three car bombs outside the Madrid headquarters of the navy, air force and Civil Guard, killing a woman and injuring nine people, police said. Page 2

Negotiations begin

Sensitive negotiations begin in London today on the funding of Britain's defence establishment in Hong Kong in the nine years ahead of China's resumption of sovereignty over the territory in 1997. Page 6

Election 'fraudulent'

Communist rebel leaders joined right-wing groups in accusing the Government of Philippine President Corazon Aquino of fraud in last Monday's elections and said the basis for an armed struggle remained.

Harare blast

An explosion, apparently caused by a rocket, damaged a house in Harare used by exiled South Africans. Zimbabwe blamed Pretoria for the blast, the second in Harare in a week. Page 5

Arrests in Punjab

More than 800 people have been arrested in Punjab since the state's government was dismissed seven days ago and direct rule from New Delhi imposed, the Press Trust of India reported.

PLO 'statement'

The Palestine Liberation Organisation leadership says it must take part in any Middle East peace conference and has drafted a statement opposing any plan to exclude it from such a meeting, Ahmed Abderrahman, a PLO spokesman, said.

Visit 'discouraged'

South Africa has told the Rev Leon Sullivan, author of ethical guidelines for US companies operating there, that he should cancel a planned visit, state-run radio said. Page 2

Iraqi 'raid'

Iraq said its aircraft hit two large naval targets – the usual term for a cargo ship or tanker – off the Iranian coast in the northern Gulf.

Mid-air collision

Nine people, four Britons and five Belgians, died when two light aircraft collided in mid-air just north of the Belgian port of Antwerp, police said.

Tanker damaged

A Soviet tanker, the 38,792-tonne Marshal Chuykov, has been damaged by a mine in the Gulf, Tass newsagency reported. Page 3

Guerrilla raid

At least four people were killed and seven wounded when troops raided guerrilla camps in southern Bangladesh, police said.

Escape foiled

East German border guards tripped and caught a young East Berliner trying to run through the Berlin Wall's Checkpoint Charlie crossing, police said.

Pakistan killings

Seven people involved in a feud were shot dead in their car on their way to court in Lahore.

European security

Neutral and non-aligned countries want a stronger voice in European security issues, ministers of nine nations agreed at the end of a two-day conference.

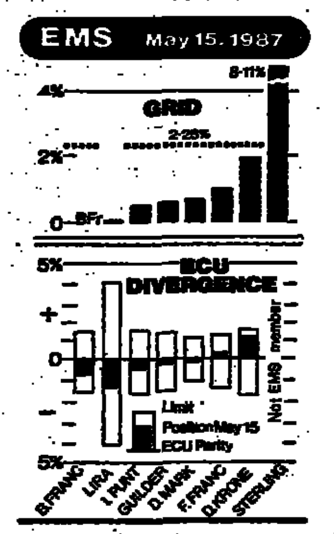
Forest fire flares

The huge forest fire in north-east China which has already left 50,000 people homeless has flared up again on its eastern front, the official People's Daily newspaper said.

Egypt to request $10bn debt deal

EGYPT will ask the Paris Club group of Western creditor nations this week to reschedule about $10bn of its official civilian and military debt on the most generous terms. Page 24.

UGANDA replaces its currency today with the new "heavy" shilling, worth 100 old shillings, and imposes a 30 per cent conversion tax on bank balances and holdings of government stocks and other assets.



EUROPEAN Monetary System: Trading was relatively subdued in the EMS last week as traders watched the dollar and its performance against the D-Mark. US trade figures were seen as a step in the right direction but still disappointing although there was no immediate rush to switch out of the US unit. The D-Mark was steady, notably against the Italian lira. The lira stood up well to last week's announcement that the Italian central bank would tolerate a significant fall against the D-Mark and finished the week almost unchanged.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

ITALY'S dependence on oil imports would put its economy at risk if world prices rose further, said the International Energy Agency. Page 6. The agency also said that Australia should consider deregulating domestic energy markets and exports.

BALFOUR BEATTY and Northern Engineering Industries of the UK are both in line to win a £200m ($334m) contract to build a coal-fired power station at Yue-Yang, China. Page 3.

AIRSHIP INDUSTRIES, UK company controlled by Australian Alan Bond, is likely to win a US Navy contract to build a prototype surveillance aircraft, British defence officials believe.

BURLINGTON Industries of the US, world's largest textile company, was under intense pressure after a partnership led by Mr Asher Edelman, New York investor, increased its hostile offer by over 7 per cent to $72 a share, or $1.97bn. Page 24.

MONTEDISON, Italian private-sector chemicals company, and ENI, state energy holding group, have begun top-level negotiations aimed at merging some of their chemical interests. Page 28.

CONFLICT is likely to break out this week between Banca Nazionale del Lavoro, Italy's largest bank, and Consob, stock market regulatory authority, over the right of Italian banks to engage in continuous share trading. Page 28.

JAPANESE life insurance companies, big investors in US and other foreign bonds, suffered foreign-exchange losses of Y2,000bn ($14.27bn) in the financial year to March 31. Page 28.

KYOCERA, world's leading producer of ceramic packaging for semiconductors, is recovering rapidly after the business slump caused by the yen's appreciation. Page 28.

W. German voters issue sharp rebuff to Kohl's party

BY DAVID MARSH IN BONN

MR HELMUT KOHL, the West German Chancellor, suffered a major setback yesterday as his ruling Christian Democratic Union (CDU) registered steep losses in two state (Land) elections in Hamburg and Rhineland Palatinate.

The result saw a marked swing towards the liberal Free Democratic Party (FDP), junior partner in the Bonn Government.

This appeared partly to reflect voters' disapproval of the CDU's recent hesitancy over US and Soviet proposals to remove nuclear missiles from the Federal Republic as part of a European disarmament accord.

The FDP has caused a deep split in the centre-right Bonn coalition by coming out strongly in favour of dismantling both short and long-range missiles in the intermediate nuclear force (INF) category. The CDU and its Bavarian sister party, the Christian Social Union, wants to maintain short-range missiles.

Appearing to profit from the divergence, the FDP yesterday gained strongly in both states and last night looked likely to enter the new state governments in both Hamburg and Rhineland Palatinate as coalition partners of the opposition Social Democratic Party (SPD) and the CDU, respectively.

The state election results, offering a barometer of public opinion on both national and local political issues, confirmed a general tendancy in West German politics towards a strengthening of small parties and a relative weakening of the established groupings, the CDU and SPD.

The CDU lost ground in the country's January general election although it swept to a spectacular victory in the Hesse state elections last month.

Both the Rhineland Palatinate setback and the probable entering of the FDP in Hamburg into a coalition with the SPD are likely to present Mr Kohl with fresh difficulties in preserving authority within his fractious Bonn coalition.

The Chancellor, who in a hastily prepared and ambivalent statement over the missiles question on Friday added to voters' confusion over where the CDU stood on the issue, said last night the results were "disappointing."

The CDU appeared to pick up steam again last month with its victory in Hesse. Yesterday, however, it seemed to suffer not only from the missiles disagreement with the FDP but also from the recent slowdown in the economy and growing protests from farmers hit by an agricultural income squeeze.

The SPD, within a few weeks of electing a new leadership next month, managed to stabilise its performance after its poor general election showing and the disastrous loss to the CDU of its traditional Hesse stronghold.

It managed to limit defections to the Greens ecology party and in Hamburg clearly won back some support from the Greens, who have veered sharply to the left in recent months.

Although it continued the dominant party in the state, the CDU in Rhineland Palatinate lost a 18-year-old absolute majority and plunged to its worst result since 1963.

In the poll in Hamburg, called early after the last election there in November failed to produce a workable majority, the SPD, which have run the city for 30 years, were confirmed as the strongest party.

The CDU's hopes of building on its success in the November contest were dashed by a surprisingly wide margin.

According to provisional results last night, the FDP won 6.5 per cent of the votes in Hamburg, against 4.8 per cent in November.

In Rhineland Palatinate, the FDP gained 7.3 per cent from 3.5 per cent in the last election in 1983. On both previous occasions, the FDP failed to win the 5 per cent of votes necessary to secure parliamentary representation.

The CDU in Rhineland Palatinate slumped to 45.1 per cent from 51.9 per cent in 1983 whereas the SPD faltered marginally to 38.8 per cent from 39.6 per cent in 1983.

In Hamburg the CDU dropped to about 40.5 per cent from 41.9 per cent in November last year while the SPD gained ground to 45 per cent from 41.7 per cent.

Weinberger 'not calling for change,' Page 2

France to re-equip N-force despite any superpower pact

BY DAVID HOUSEGO IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, ended a three-day visit to Moscow over the weekend in which he made clear that France intended to pursue the re-equipping of its nuclear forces notwithstanding any US-Soviet agreement on disarmament in Europe.

In his talks with Mr Mikhail Gorbachev, the Soviet leader, he side-stepped, however, giving any direct reply to Soviet proposals for a "double-zero option" to eliminate both longer-range (1,000–5,000 km) and shorter-range (500–1,000 km) weapons. He said that France's attitude would be conditioned by that of West Europe.

Mr Chirac's visit occurred at a moment of fresh dissensions over the European viewpoint. The British Government last week declared that it favoured the "double-zero option" while Chancellor Helmut Kohl in West Germany called for negotiations as well to remove battlefield nuclear weapons below the 500 km range.

The French Prime Minister's officials privately made clear their hostility to the "double-zero option," which they fear could contribute to Soviet objectives of a denuclearisation of Europe.

Mr Chirac's administration, however, does not feel it can voice this sentiment too openly at a time when French President François Mitterrand does not share it and the final West German position is unclear.

Mr Mitterrand's view was yesterday made clear by Mr Roland Dumas, the former Socialist Foreign Minister, who said: "France should declare itself unambiguously in favour of the double-zero option so as to better cope with two essential problems" – the conditions and verification of such an accord and the Soviet superiority in chemical and conventional weapons.

Notwithstanding some barbed exchanges in a press conference at the end of the visit, Mr Chirac said that he was "satisfied" with what had been achieved. He came away much more impressed by Mr Gorbachev than he had expected to be, describing him as a man "who has the will to get things moving" and is capable of "modernising" Socialist doctrine.

The French had been earlier worried at the outcome because of the recent continuing attacks in the Soviet press against Mr Chirac for leading a "reactionary counter-offensive" over disarmament in Europe. Mr Gorbachev obviously charmed Mr Chirac's delegation by his unexpected appearance at a dinner and by the vigour of his argument.

Mr Chirac took a combative stand over refusing to have French nuclear weapons included in any European disarmament agreement as well as over issues of human rights and the position of the Jewish community in the Soviet Union.

In response to this, the Soviet Government spokesman referred to Mr Chirac as a man "who loved the nuclear bomb." He said that the Soviet Union had hopes that Mr Chirac might help contribute to the process of "denuclearisation," but "our hopes were in vain."

Fiji coup finds few friends

BY CHRIS SHERWELL IN SUVA

DOMESTIC and foreign resistance to Fiji's new military-led regime is mounting, with appeals for help being smuggled out to the governments of Australia and New Zealand. A general strike has been called throughout the islands for today.

The growing opposition to Lt-Col Siti Veni Rabuka, who led a bloodless coup against the four-week old Government of Dr Timoci Bavadra on Thursday, raises questions about how long his regime can last.

This week will be critical. So far all of Fiji's traditional friends abroad have criticised the coup and refused to recognise Lt-Col Rabuka and his provisional ruling council.

Equally important, the Governor General has refused to recognise the regime and continues to insist that executive power rests with him until the emergency can be ended and democracy restored. He is in direct contact with Queen Elizabeth who has endorsed his firm stand against the coup leaders.

However, there were unconfirmed reports last night that the Governor-General had sworn in members of the military regime.

It is also not clear that Lt-Col Rabuka has the full support of the army. Reports reaching Wellington last night indicated that some elements of the army based in Lantoka, in the west, where Dr Bavadra has his power base, are not fully behind the take-over.

The coup, the first to overthrow an elected Government in the South Pacific, has convulsed the region and left the country's 720,000 population confused and uncertain about the future.

Developments suggest that Lt-Col Rabuka is still lacking the popular support he claims. The country's 11-member judiciary has unanimously condemned the suspension of the constitution as illegal and invalid and promised complete loyalty to the Governor General.

Lt-Col Rabuka pledged quick changes to the constitution which would guarantee that Fiji would never again see an Indian-dominated Government.

The ethnic jealousies between the Melanesian and Indian communities are the heart of the trouble and pose a problem for which a long-term solution is difficult to discern.

Last month's election of a multi-racial coalition meant that ethnic Melanesian Fijians gave up full control of Government for the first

Continued on Page 24

Background, Page 2

Marginal seats seen as key to British elections

By Michael Cassell, Political Correspondent

BRITAIN'S general election campaign officially begins today with the Conservative and Labour parties intent upon squeezing out the Social Democratic Party-Liberal Party Alliance and preparing to concentrate their efforts on the marginal seats which are expected to decide the outcome.

With this morning's launch of the Alliance manifesto, to be followed tomorrow by those from the other major parties, the latest UK opinion polls suggest that voting intentions remain highly volatile and that there is considerable scope for tactical voting on all sides.

While the Tories are apparently maintaining a lead which would give them a comfortable majority in the next parliament, there are some indications that Labour is closing the gap, particularly in the critical marginal constituencies.

A Mori opinion poll conducted for The Sunday Times, after the election date was announced, gives the Tories 44 per cent, Labour 30 per cent and the Alliance 25 per cent: enough to give Mrs Margaret Thatcher, the British Prime Minister, a House of Commons majority of about 130.

A Harris opinion poll for the Observer newspaper puts the Tories on 42 per cent; Labour on 33 per cent and the Alliance on 23 per cent.

There is, however, some encouragement for Labour in another Harris opinion poll carried out among 167 marginal seats for London Weekend Television's Weekend World programme, which suggests the Tory lead has been cut.

The poll indicates that in Tory-held seats where Labour ran second in the 1983 general election, a 10 per cent average lead has been cut to 2 per cent.

Even so, Mrs Margaret Thatcher would be returned with an overall majority of about 40 seats if the results were repeated on June 11.

A senior Tory minister last night claimed that the polls gave no cause for concern but there was no complacency.

It emerged from Conservative Central Office yesterday that, after encouraging local election results, the Tories have decided to put still further emphasis on the campaign in those marginal seats where they are challenged by Labour.

Background, Page 11

Eurobonds to avoid direct UK control

BY ALEXANDER NICOLL, EUROMARKETS CORRESPONDENT, IN LONDON

THE EUROBOND market has won a battle not to come under direct UK regulation. Instead, it is to be treated as an overseas exchange in the City of London self-regulatory structure being introduced under Britain's new investor protection law.

The Association of International Bond Dealers (AIBD), which groups more than 800 member firms, had been expected to become a recognised investment exchange under the new UK system, as will the London Stock Exchange. But this roused strong opposition from AIBD members, many of whom are based on the European Continent and resented the export of UK legislation.

The Securities and Investments Board (SIB), Britain's umbrella regulatory body, said on Friday that the AIBD was now expected to become a designated investment exchange. This will give it a looser relationship with UK regulators on a par with, for example, US stock exchanges.

Despite the change, the imposition of new UK regulation is likely to loom large this week over the annual meeting of the AIBD in Oslo. Euromarkets' practitioners fear that the cost of regulation could make London less competitive as a centre and that the rules themselves could cramp the fast-moving style of the international capital markets.

SIB officials insisted that the change of plan did not mean that the Eurobond market would escape UK regulation. Although the AIBD's head office is in Zurich, perhaps three quarters of last year's record $3,500bn trading volume in the Eurobond market passed through firms in London.

These firms will still have to seek authorisation from the Securities Association, the largest UK self-regulatory organisation, to carry on investment business in London and their business practices and financial resources will be monitored by the association.

Moreover, the SIB must be satisfied that AIBD's rules broadly meet UK investor protection requirements before agreeing to designate it as an exchange. The SIB has the sanction that, if it withholds designation, each Eurobond trade in London would have to be reported separately to the AIBD itself, a very cumbersome and costly process.

The AIBD will not now need to submit its rulebook for formal approval by the SIB. However, it is holding talks with the SIB on the bond market's plans for price and trade reporting systems which are seen as crucial to investor protection.

The SIB was disappointed by the AIBD's decision, announced last week, to shelve plans for an automated price quotation system because of opposition from leading dealers. But it supports a trade confirmation and matching system which AIBD members are expected to approve in Oslo.

The new system will help in carrying out "audit trails" – the reconstruction of dealers' trades. The AIBD will also be expected to provide information to the SIB when requested and to have an adequate procedure for dealing with customer complaints.

Computer leasers drop IBM complaint

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

A GROUP of Europe's leading computer-leasing companies have dropped their 18-month-old complaint to the West German Cartel Office against alleged discriminatory leasing practices by International Business Machines (IBM).

The leasing companies' decision to abandon the case marks IBM's most important defence of its operations against charges of monopolistic behaviour since it emerged largely unscathed from action brought by the European Commission in 1984.

The Commission decided not to pursue allegations that the company had abused its dominant market position after IBM had agreed to modify its behaviour on the disclosure of certain interface specifications for its computers.

The closure of the Cartel office case follows IBM's successful defence of its leasing practices in a court case in the Netherlands where the judge found that the company had not breached Treaty of Rome competition rules.

The ruling appears to strengthen the group's position in the European leasing business where it

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CONTENTS

Weinberger 'not calling for change in stance'

By Lionel Barber in Washington

MR HOWARD BAKER, White House Chief of Staff, yesterday attempted to dispel suggestions that Mr Caspar Weinberger, US Defence Secretary, was unhappy about the proposed superpower agreement on medium-range nuclear missiles.

Mr Weinberger said after last week's meeting of Nato defence ministers in Stavanger, Norway, that he advocated a total global ban on medium-range missiles.

The current US position as set out in a draft treaty in Geneva is for the superpowers to eliminate medium-range missiles in Europe but to retain 100 weapons on each side, in Asia and the US. This also conforms to an understanding at the Reykjavik mini-summit last year between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader.

Mr Baker said in an interview on US television yesterday that he was satisfied that Mr Weinberger was not calling for a change in the American negotiating stance at Geneva.

He said he had telephoned Mr Weinberger in Europe last week and been assured that the Defence Secretary's support for a total global ban option conformed with the President's strong preference.

South Africa tells author of ethics code to cancel visit

SOUTH AFRICA has told the Rev Leon Sullivan, author of ethical guidelines for US companies operating here, that he should cancel a planned visit, state-run radio said, Reuter reports from Capetown.

US companies are expecting Mr Sullivan to arrive next weekend and to call on them to withdraw their investments from South Africa.

Mr Sullivan had set a deadline of the end of this month for South Africa to revoke all apartheid race segregation laws, saying that otherwise he would have to call on Americans to pull out of the country.

Radio South Africa quoted South African Home Affairs Minister Stoffel Botha as saying the Government had advised Mr Sullivan that it did not believe the time was ripe for his visit.

Mr Botha denied that Mr Sullivan, a moderate who initially resisted calls for disinvestment, had been refused a visa to enter the country, the radio said.

No one from Mr Botha's office was immediately available to elaborate on the radio report.

The radio quoted reports from the US that Mr Sullivan alleged he had been denied a visa, that he had "launched a scathing attack" on South Africa and that he pledged to call for the complete withdrawal of US companies during his visit.

The Sullivan Code, which sets guidelines on how Americans should assist their black work forces in South Africa, was drawn up 10 years ago as an alternative to disinvestment.

US companies justify their presence here by saying they contribute more to the welfare of their black employees by following the code than they would by pulling out as a signal of political disapproval to the white-led Government.

Despite steps to ease apartheid during the past eight years, housing, health facilities, state schools and many public amenities remain racially segregated by law in South Africa.

The ruling National Party has just won a landslide victory in a whites-only election, after taking a hard line during the campaign against foreign pressure for more radical change.

South Africa newspapers reported yesterday that US companies had decided to stay on even if Rev Sullivan told them to pull out.

Many went last year but business sources said they were mainly companies whose US interests had been hit by anti-apartheid protest or whose South African profits had slumped.

European non-aligned nations seek security role

Neutral and non-aligned countries want a stronger voice in European security issues, ministers of nine nations agreed yesterday at the end of a two-day conference, Reuter reports from Limassol.

Mr George Iacovou, the Cypriot Foreign Minister and chairman of the meeting of European Neutral and Non-aligned countries, said the ministers did not want European security matters to be left exclusively to the Nato and Warsaw Pact military alliances.

"Security and disarmament is the proper area where the neutral and non-aligned countries will have an interaction with the members of the alliance in questions of security," he said.

The conference grouped ministers from Austria, Cyprus, Finland, Liechtenstein, San Marino, Sweden, Switzerland, and Yugoslavia. Malta participated indirectly because of its elections last week, Mr Iacovou said.

The group asked Mr Iacovou to present its positions to a plenary session of the Vienna security conference which opened last November and is due to end in July.

Entente militaire, Page 24

Long Island sniffs at trash terms

BY JAMES BUCHAN IN NEW YORK

OUTCAST, accursed, doomed like the Flying Dutchman to haunt the world's sea lanes, the trash barge Mobro was yesterday moored just outside New York harbour while officials and lawyers sat in judgment on its fate.

The barge, which contains 3,100 tons of tightly-packed garbage mostly from the town of Islip on Long Island, reached Gravesend Bay in Brooklyn at thet weekend after a two-month, 6,000-mile journey in a fruitless search of a resting place for its unsavoury and even perilous freight. New York city officials said the way was now open for the commercial and hospital garbage to be dumped back at Islip, provided the city and the courts were satisfied that the garbage was not dangerous after so long at sea.

But, at the weekend, the barge's home port of Long Island City in Queens baulked at accepting the trash back on strict terms laid down by the city.

The city says that the trash must be placed in covered trucks and taken to Islip at once. "We've got enough problems," a Queens borough official said at the weekend, "without taking on central Islip's garbage."

The odyssey of the Mobro began on March 22 when the barge was towed out of Long Island City after Islip said its town dump was full. Mr Lowell Harrelson, the contractor from Bay Minette, Alabama, who owns the stuff, sought first to dump it in North Carolina but was blocked by a court order.

New Orleans also recoiled in loathing. The trash was rejected by Florida, Texas, Alabama, Mexico and Belize.

Aided by the publicity surrounding the Mobro, Islip last week gained the agreement of New York State to enlarge its dump and said it would take Mr Harrelson's trash for a fee of $124,000 (£73,800). But as the tug, the Break of Dawn, towed the Mobro back up the east coast bound for Long Island City, a New York state court barred Mr Harrelson from dumping the trash in Islip unless he could prove it was safe.

Mr Harrelson says the Mobro's wanderings have cost him $8,000 a day.

A spokesman for Mr Ed Koch, New York mayor, said yesterday that he "has no objection to the trash being docked and unloaded in New York City. But it must be put in sealed sanitation trucks and taken immediately to Islip."

Peru police strike set to reach peaceful end

PERU'S three-day-old police strike appeared to be nearing a peaceful end last night, Barbara Durr reports from Lima. The police are demanding higher wages.

Negotiators for the Government and the strikers met directly with President Alan Garcia on Saturday night.

Mr Garcia made no specific offer of a salary increase but Mr Luis Negreiros, secretary of the ruling party and the top government delegate in the negotiations, said the Government would "restructure" police salaries.

Although somewhat unclear, this probably means that the Government will lift the police up the list of public sector job categories. A basic police salary is only about $120 a month.

While police leaders seemed fairly satisfied with the offer, it did not bring an immediate end to the strike. Hundreds of strikers with their leaders remained holed up in a downtown Lima garrison, where they were surrounded by the army.

Madrid car bomb blasts end 9-month lull in terror

THREE CAR bombs exploded yesterday in Madrid ending a nine-month lull in such terrorist violence in the Spanish capital and raising fears that the so-called "Madrid Commando" of the Basque separatist organisation ETA had been reformed, Tom Burns reports from Madrid.

One elderly woman was killed and six people injured by the blasts which occurred at five-minute intervals at around 5.30 a.m. within a three mile radius. The targets were the headquarters of the Civil Guard, of the navy and of the air force but damage was slight.

Several members of the "Madrid Commando," allegedly responsible for a spate of car bombs last summer, were arrested in Madrid in January amid claims that ETA's infrastructure in the city had been broken.

In the course of this year ETA has been responsible for a car bomb attack causing fatal injuries in Zaragoza and for a further two in Barcelona. The cars used in the Madrid blasts had been reported stolen in the Basque country and had false Madrid area number plates.

Governor-General holds key to settlement in Fiji

BY CHRIS SHERWELL IN FIJI

RATU Sir Penaia Ganilau is almost 70, a family man who loves his country, the South Pacific island state of Fiji. In his time he has been a battalion commander, senior civil servant, Defence Minister and Deputy Prime Minister. He is also a high chief.

But it is in another capacity – that of Governor-General – that his reputation and his responsibility are now being put to the test. Indeed, like few other holders of this office anywhere in the world, he is in a position to make history.

For, Ratu or Chief Ganilau is the one man who stands between a protracted and intense military crackdown and an early, peaceful return to civilian rule. What happens depends on the outcome of a confrontation with Lt-Col Sitiveni Rabuka, the military officer who took power in a bloodless coup last Thursday.

In a simple but daring move, Lt-Col Rabuka and 12 masked soldiers kidnapped at gunpoint parliamentary members of the multi-racial coalition Government which won power four weeks earlier. The Indian-Fijian coalition's surprise victory ended 17 years of rule by the Alliance party which drew its main support from ethnic Melanesian Fijians.

The action, the first coup against an elected government in the South Pacific, has brought the worst form of publicity the lush palm-fringed tourist haven could want.

The tough-looking 38-year-old Colonel suspended the constitution, the judiciary, his own military commander (currently in Australia), the police chief and the judiciary. He promised to appoint an interim Council of Ministers and an early return to civilian rule.

Initially, life seemed to carry on normally and few soldiers were in sight. But it wasn't long before this unpredictable event produced some unpredictable consequences.

One was the shock announcement that Ratu Sir Kamesese Mara, Prime Minister from Independence in 1970 until losing last month's election, had effectively endorsed the Colonel's move by accepting the Foreign Minister's post in the new interim council along with several other former Alliance ministers.

Another was the voluble and intensely negative reaction from the local newspapers, which unanimously ignored Col Rabuka's obvious warnings to be "responsible" by printing highly critical editorials.

The most important consequence was the decision by the Governor-General, after advice from the Chief Justice and perhaps even from Britain, not to accept the suspension of the constitution or of his own post.

Turning to advantage Lt-Col Rabuka's patent desire to have him stay on, he taped a message to the Fiji people which was relayed just once by a local commercial radio station. In it he said the "unprecedented" situation "must not be allowed to continue."

"In the temporary absence of Ministers of the Crown," he said, he had assumed executive authority and declared a state of emergency. He insisted the constitution had not been overridden and called on the military "to return to their lawful allegiance."

Ratu Mara's apparent opportunism, after his abject election defeat, almost certainly made it more difficult – if it had ever seemed possible – for the new regime to gain early recognition from Fiji's old friend, something it dearly wants.

Domestically, Lt-Col Rabuka's decision to close down the two main local newspapers, and censor all radio news along with confiscation of foreign correspondents' materials marked a significant toughening of position.

When the Governor General's denunciation of the coup was later rebroadcast from Australia, the reaction toughened still further, with military raids on radio correspondents' hotel rooms.

The armed presence also became far more visible on the streets and by last night had led to a call-up of reserves.

Further signs of public resistance nevertheless appeared. Dr Timoci Vavadra, the ousted Prime Minister, smuggled out a dramatic message appealing to Fiji's friends for support.

In a press conference on Saturday, Lt-Col Rabuka effectively acknowledged the problem posed by the Governor-General's refusal to abrogate the constitution.

Saying he would be initiating constitutional changes, he confirmed some deep-seated fears by declaring that these would be designed to ensure that there would never be an Indian-dominated government in Fiji.

He said Dr Vavadra's Government was dominated by the Indian race and ethnic Fijians feared losing their land rights. There was also concern over the former Government's non-aligned foreign policy, he said.

Yesterday, perhaps predictably, Indian and Fijian demonstrators staged a spontaneous prayer meeting and peaceful protest gathering across Suva, the capital, in support of the kidnapped ministers and a return to democracy.

Just as significant, in the absence of legitimacy for the new regime, there is a major question of allegience for civil servants, for the judiciary, and even for members of the military itself.

Last night, the judiciary came out firmly against the coup and its support of the Governor-General. Equally crucial is the stance of the Fijian council of Chiefs, a key advisory body which is expected to meet tomorrow.

Such developments underline why the Governor-General's position is so important. Unless Fiji settles down quickly, Lt-Col Rabuka could face a tough choice: cracking down harder to overcome resistance, a move which could entail martinal law or finding a face-saving compromise which allows both him and the new council to back off.

As the days go by and the coupmakers move to consolidate their position, the possibility of compromise may look increasingly elusive.

Lt-Col Rabuka confirmed on Saturday that the option of declaring a republic also existed if no other alternative was available. In fact, there may be some way to go before that occurs. But whatever happens, Fiji now is undergoing a traumatic upset.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R.A. Harper, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

OVERSEAS NEWS

EC ministers to consider farm policy reform

BY TIM DICKSON IN BRUSSELS

BELGIUM wil ltoday launch a plan aimed at stepping up the faltering pace of Common Agricultural Policy reform.

EC farm ministers will be presented with the paper—drafted by Mr Paul de Keersmaeker, Beligum's Agricultural Minister, in close co-operation with the European Commission—when they arrive in Brussels today for what promises to be a lengthy and fiercely contested engotiation over the level of guaranteed prices paid to Community farmers.

Diplomats and officials say the discussions could last most of the week and possibly beyond.

The Commission's original proposals this year for a sharp cut in crereals prices and other restrictions to curb agricultural spending ran into strong opposition from most member states at last month's Farm Council in Luxembourg. Two and a half days of talks ended in deadlock on all the main issues.

The challenge for Mr de Keersmaeker—chairman of the council until the end of June—is to find a way to break the impasse. His ideas will form the basis of ministerial discussions over the next few days and are likely to be incorporated into a formal Commission compromise proposal sometime later in the week.

Agreement will not be easy in spite of last week's commitment by OECD countries (including the Community) to cut farm subsidies and constant EC budgetary pressure. The big stumbling block is West Germany, which claims that the resulting fall in its farmers' incomes is unacceptable and whose Agriculture Minister, Mr Ignaz Kiechle, has clearly hinted that he may veto part of the package.

Senior Commission officials, however, are well aware that other member states in Luxembourg may also have been hiding behind Mr Kiechle's attack on their proposals.

Key areas of disagreement are:

● The proposed cut in cereal prices, both through nominal reductions in guaranteed prices and tough restrictions on EC "intervention" purchases.

● Reform of the "agri-monetary" system of green currencies and monetary compensatory amounts which mitigate the effect of currency differences.

● The proposed tax on vegetable and marine oils. This is the big international issue in the negotiations and threatens to spark off a trade war with the US.

Israel split endangers peace talks, says Jordan

By Samira Kawawa in Jordan

MR MOHAMMED AL-KHATIB, Jordan's Information Minister, warned yesterday that efforts to convene an international Middle East peace conference had been endangered by the failure of Mr Shimon Peres, the Israeli Foreign Minister to win Israeli Cabinet support for the talks.

"The whole world is a witness to the desperate attempts being made by the Israeli Prime Minister Shamir to sabotage collective international efforts to convene an international conference to resolve the Middle East conflict," said Mr Khatib.

The Jordanian minister said it was necessary for "the whole world to confront Shamir's efforts to hinder the conference."

Signalling that the ball was still firmly in the Israeli court, Mr Khatib said that "all the Arab countries concerned and the five permanent UN Security Council members have agreed to the conference.

"The only remaining party concerned that has not declared its acceptanec of the international conference is the Israeli government," Mr Khatib added.

Jordan and "others" would continue to work to convene the conference because "it is the best way to achieve a just and durable solution to the Middle East problem," he said.

Jordan has worked over the past two years to promote its call for a UN-sponsored international Middle East peace conference that would be attended by the parties to the Middle East conflict and the five permanent UN Security Council members—the US, the Soviet Union, Britain, France and China.

An understanding on the basic principles for convening such a conference was recently worked out between Jordan and Mr Peres through US officials.

The official Jordanian position is that all parties to the Middle East conflict must be invited to the conference, including the Palestine Liberation Organisation (PLO). Amman, however, has made clear that the PLO must accept UN Security Council resolutions 242 and 338 before they can attend, which it has refused to do.

Jordan also stipulates that those attending the conference "must renounce violence and terrorism."

● Mr Amnon Rubinstein, the Israeli Communications Minister, said yesterday he would protest against the Cabinet deadlock over peace moves by pulling his centrist Shinui Party out of a government he described as a "two-headed monster," Reuter reports from Jerusalem.

Mr Rubinstein told a news conference he hoped the move would prompt a general election that would give Mr Peres a mandate to pursue a Middle East peace conference.

"I have decided to recommend to the Shinui (Change) council to withdraw from the National Unity Government.

A decision by Shinui to leave the Government would have little impact on the overall balance of power since the party is expected to continue to support Labour in parliament.

China close to decision on power contract

By Joan Gray, Construction Correspondent

BALFOUR BEATTY, civil engineer, and equipment manufacturer Northern Engineering Industries, both of Britain, are in line to win a £200m contract to build the Yue Yang coal-fired power station in China.

The companies were competing for the contract with another British company, GEC.

The three companies were called to a meeting with the Hueneng province power authority on Saturday, at which they were told the authority would end negotiations with GEC, which is believed to have submitted the more expensive tender.

The contract is one of a series of projects backed by a £300m soft loan package provided by the British Government.

Balfour Beatty would carry out the civil engineering work involved in building the power station. NEI would supply the turbine generators, to be built at its NEI Parsons factory in Newcastle, which employs 3,000 people.

The value of the contract for each company is subject to final negotiations, but it is expected that the work would be worth more than £100m to Balfour Beatty and less to NEI.

Soviet oil output exceeds target

Soviet oil output has responded to reorganisation and increased investment by reaching 204m tonnes in the first four months of the year or 1.7m tonnes above target, Patrick Cockburn writes from Moscow. Soviet leaders will also be pleased that coal production, which has also lagged in recent years, was above target at 261m tonnes.

Central American peace plan discussed in London

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

PRESIDENT OSCAR ARIAS of Costa Rica today begins two days of conversations with British Government officials to obtain endorsement for his peace plan for Central America. His visit to Britain is part of a lengthy tour of European capitals to highlight the dangers of the current situation in war-torn Central America.

President Arias launched his plan in February. It builds on the four-nation Contadora initiative and is both more detailed and comprehensive. It calls for national reconciliation in all Central American countries where armed conflict exists, political amnesty, elections to a Central American parliament, internal democratisation, suspension of external military aid and a reduction in the level of armaments.

The plan is due to be discussed by the heads of state of the five Central American countries in Guatemala next month and has been endorsed by the US Senate in a 97—1 vote. But the Reagan Administration has held back from any specific commitment.

He is likely to be given a sympathetic hearing as the representative of Central America's sole true democracy, but the UK Government will probably hold back from a full endorsement of his plan.

Soviet tanker damaged by mine off Kuwaiti coast

A SOVIET tanker, the 38,792-tonne Marshal Chuykov, has been damaged by a mine in the Gulf, according to Tass news agency, Reuter reports from Moscow.

The blast, which occurred on Sunday 35 miles off the Kuwaiti coast, tore a large hole in the bottom of the vessel but caused no casualties, Tass said. The tanker was being towed to the port of Kuwait yesterday.

The tanker, believed to be the first of three chartered by Kuwait to safeguard its oil exports from Iranian attack, was reported by shipping sources to have entered the Gulf escorted by a Soviet warship.

The escort was a Matya-type frigate, one of four Soviet warships now operating in the Gulf region.

Kuwait turned to the Soviet Union and the US to secure protection for its oil tankers, which have been attacked repeatedly by Iranian forces as a consequence of the Iran-Iraq war. Kuwait supports Iraq

THIS YEAR, WE'VE TREBLED THE STRENGTH OF OUR DRINKS IN AMERICA AND EUROPE.

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A perfect round of drinks to mix with our own best selling brands: Cockburn's Port; Harveys Bristol Cream; Warninks Advocaat; Babycham and Teacher's. Because it means we now have a distribution network which ensures an extra welcome for our drinks in the bars of America.

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The Hiram Walker acquisition is another example of our commitment to our role as a leading international food, drink and leisure group. All of which isn't going down too well in the boardrooms of our competitors. Because as our spirits and wines division goes from strength to strength, other drinks companies have even less to raise their glasses to.

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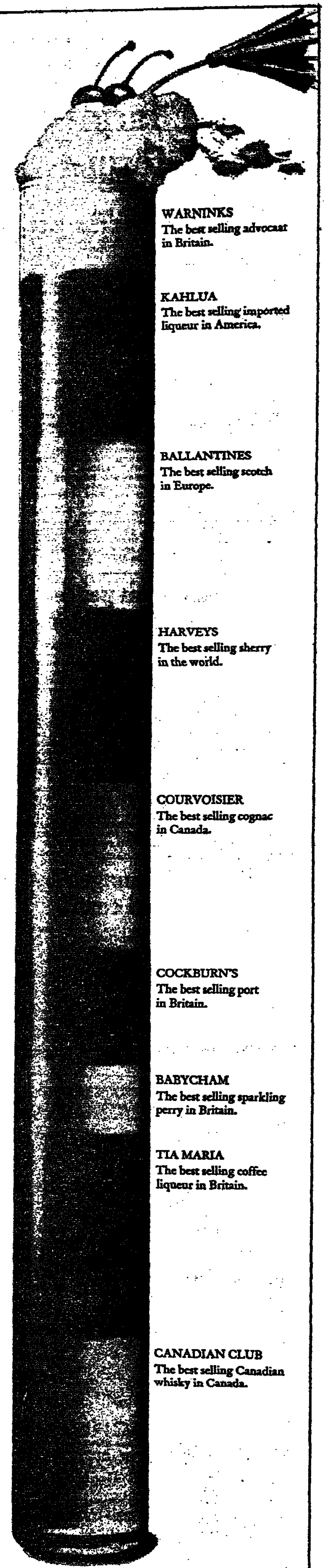

India holds talks with Sri Lankan Tamils

By John Elliott in Colombo

INDIA has called leaders of Tamil ethnic groups to talks in New Delhi this week in an attempt to stop an escalation of violence in Sri Lanka and, in particular to deter the Sri Lankan government from launching a bid to capture Jaffna, the Tamil-held city in the north of the island.

Sri Lankan ministers are debating whether to try to take Jaffna, which is the Tamils' only urban stronghold, as the culmination of three weeks of bombing of the surrounding peninsular. The bombing was started after nearly 250 people were killed, allegedly by Tamil extremists, in a Colombo city bomb explosion and a massacre of bus passengers three weeks ago.

But estimates of possible deaths in a battle for Jaffna are as high as 10,000 Tamil civilians, plus 1,000 troops who belong to the island's majority Sinhalese race. The government has to decide whether the possible victory justifies risking a backlash from either group.

The ministers do not appear to be in a mood to play a constructive role in any peace initiatives that might emerge.

However it would be difficult for the Sri Lankan government, which is in some disarray after the shock of the Colombo bomb explosion and bus massacre, to shun any initiative in the coming weeks. It is anxious to show a good image internationally in advance of annual World Bank-sponsored aid talks, which take place this year in Paris on June 25.

Mr Rajiv Gandhi, the Indian Prime Minister, has been trying unsuccessfully to mediate over the Tamils' separatist and devolutionary demands over the past two years. In recent weeks, he has been under increasing pressure from the Tamil-dominated southern Indian state of Tamil Nadu, to act to stop Sri Lankan military attacks.

His government has had to face relentless criticism in the Indian parliament from opposition MPs, some of whom have called for India to invade the island. So he has been persuaded that his ministers should meet the Sri Lankan Tamil groups based in the southern Indian city of Madras.

Members of the moderate Tamil United Liberation Front will have talks first today and will ask India to initiate a request for a United Nations peace-keeping force. They are expected to be followed later in the week by two extremist groups, the Tamil Tigers and the Eelam Revolutionary Organisation. The Indian ambassador in Sri Lanka has been summoned to New Delhi for the talks.

India hopes that Sri Lanka will decide that it would not be possible to attack Jaffna while these talks are taking place. It also hopes to break a five-month deadlock in peace initiatives by persuading the Tamil groups to adopt a conciliatory stance.

Ian Rodger reports from Tokyo on the tensions and traditions affecting future policy of the ruling party

Japan's political leaders wait in shadows for post-Nakasone era

AS IF Japan did not have enough problems these days, it now faces a period of considerable political uncertainty.

The problem is that while Mr Yasuhiro Nakasone will almost certainly stand down as Prime Minister within the next few months, there is no obvious successor.

In the past, no one paid much attention to changes in Japan's political leadership, but at a time when the world is clamouring for change in the country's economic and industrial policies, the attitudes and objectives of a new Prime Minister could be of considerable importance.

Unfortunately, one of the prominent candidates for the succession arouse much confidence, even in Japan, let alone abroad. Moreover, following its recent humiliation in the Diet (Parliament) over tax reform, the ruling Liberal Democratic Party (LDP) may no longer feel sure of its traditional foundations—business money and rural votes—and thus not certain of the kind of leader or policies it wants.

In this atmosphere, it was not altogether surprising that the first declared candidate is Mr Susumu Nikaido, a 77-year-old party veteran whose only chance would seem to lie in the party being unable to make up its mind and so selecting an interim leader.

Some analysts see the Japanese Government entering an extended period of near-paralysis now that the country has reached economic parity with the western industrialised countries. "When we were catching up it was easy to agree on policies. Now, it is much more difficult," a senior investment banker said recently.

Until a few weeks ago, it looked as if the best solution to the LDP's—and Japan's—political problems would be to allow Mr Nakasone, who has been in office nearly five years, to remain for a further period. Whatever the Prime Minister's faults, he enjoyed a considerable international reputation, he had clear policy objectives and he was popular among voters.

On the other hand, the three leading candidates to succeed him, the Finance Minister, Mr Kiichi Miyazawa, and two senior party officials, Mr Noboru Takeshita and Mr Shintaro Abe, have not demonstrated any of these qualities.

Although the Nakasone option was seldom discussed publicly, it was widely supported in business and government circles. Also, it often appeared that Mr Nakasone himself was trying to influence events in this way, notably by trying to maneouvre his potential successors into positions where they would discredit themselves.

However, the collapse of the LDP's tax reform proposals appears to have completely undermined the Prime Minister. In particular, it showed him being beaten at his own game—that is, the advancement of policies through direct appeals to popular support rather than through the traditional back-room deals.

For the past five months, while Mr Nakasone sat quietly in his official residence, the opposition political parties, led by the Socialist Party (JSP), deftly aroused public opinion to a fever pitch against that part of the reform that could see a five per cent value added tax introduced.

When opinion was tested in a series of local elections early last month, the LDP lost over 100 seats. The JSP then led the opposition in blocking parliamentary consideration of this year's budget, confident that the public would not object. They also knew that their action would put Mr Nakasone on the spot.

The Prime Minister was desperate to calm US anger at Japan by introducing new measures to boost the economy, but he could not do so until the budget was passed. In the end, he had no choice but to withdraw t eh leatassyUHc q withdraw the sales tax proposal.

It is difficult to understand entirely the Government's failure to counter the anti-sales tax campaign but the episode may foreshadow some basic changes in Japan's political

Kiichi Miyazawa: one of the leading candidates

order. For example, the roles of the political parties in this campaign were reversed. The opposition socialist parties found themselves defending the vested interests of big and small shopowners, normally a core LDP constitutency but who were dead set against the sales tax.

Meanwhile, the Government was trying to appeal to the ordinary working man on the grounds that the sales tax revenue would finance a proposed cut in his heavy income tax burden.

Undoubtely, the Government had difficulty mobilising itself against business interests. Perhaps the LDP leadership thought that, with its huge majority, it could bulldoze anything through the Diet. Also, Mr Nakasone had a personal problem in that the suddenly found himself without a platform from which to respond to his criticis. The Diet was paralysed and the LDP candidates in the local elections did not want him about.

Anyway, he now has to go and it looks as though he will go slightly sooner than the end of his term in October.

Despite the tax reform defeat, the LDP intends to bring the sales tax back in revised form. The candidates for the leadership would have preferred that the revised package be debated and passed while Mr Nakasone was still in charge so that he would take the odium of it with him into retirement. However, the opposition parties, with the wind in their sails, last week forced the Government to back down on Mr Nakasone's proposal to extend the current Diet session indefinitely.

Thus, the Diet will close on May 27 as scheduled and an extraordinary session will be convened soon after the Venice summit to pass the Y5,000bn domestic-demand stimulation package that Mr Nakasone promised when he was in Washington.

As there is no precedent for him holding an LD Pleadership race while the Diet is sitting and, as the leadership election must be set three months before the end of Mr Nakasone's term, it will be impossible to bring in the tax package during the extraordinary sessions. Some LDP leaders have been suggesting that the session—and by implication Mr Nakasone — should be out of the way by mid summer.

Traditionally, the leading factions within the LDP take turns in providing a leader, achieving this balance through alliances of convenience with other factions. Under that tradition, Mr Takeshita, a former Finance Minister, would be a clear favourite to succeed Mr Nakasone.

The Tanaka faction, of which Mr Takeshita is a leading member, is the largest single faction in the party and it has not provided a leader since Kakuei Tanaka resigned in disgrace over the Lockheed bribes affair in 1974. However, Mr Tanaka and his close associates have been trying to undermine Mr Takeshita recently. Two weeks ago, they suggested that he set up his own faction.

The factional mathematics within the LDP permit any number of possibilities. Of the 447 LDP members in the upper and lower houses of the Diet (and who vote in leadership elections), the Tanaka faction has 142, Mr Miyazawa 88, Mr Nakasone 87, Mr Abe 83 and others 47. If Mr Takeshita set up his own faction, it is thought he would take more than 100 of the Tanaka faction members with him.

So far, it is proving very difficult for the factions to come to any agreement on the succession. The stock of individual candidates seems to rise and fall almost daily, depending on their latest successes and failures.

The lack of agreement may also be a reflection of growing tension within the LDP on whether it should remain faithful to its rural roots or try to align itself more with the growing urban population. In recent years, the LDP's support in rural areas, where it takes about half the total vote, has been growing, while its support in the big cities, where it takes less than a quarter, has been stagnant.

Mr Nakasone himself is firmly committed to cultivating the urban vote and, as the faction numbers indicate, for all his weakness as Prime Minister, he will have a considerable say in who will succeed him.

Despite the difficulties, no one expects the LDP to fly apart, at least not this year. It has been in power for nearly 31 years, and the party's leaders are very attached to the benefits that come with power. But the tensions within the party are not likely to end when the leadership race is over.

S Africa blamed for Harare raid

By Tony Hawkins in Harare

ZIMBABWE YESTERDAY blamed South African agents for an unsuccessful rocket attack on a house used by the African National Council in a Harare suburb. There were no casualties in the attack which slightly damaged the garden wall surrounding the house. It was the second bomb attack in Harare in a week and followed last week's explosion in a flat near the centre of a city in which a young African woman was killed.

Sources close to the ANC said that the house in the northern suburb of Avondale had been used for the past year as the main office in Harare of the guerrilla organisation. They said it was not used outside business hours.

Jim Jones in Johannesburg adds: In Pretoria yesterday a foreign affairs spokesman quoted Mr Pik Botha, the Foreign Minister, as denying any South African involvement in the Harare attack. Mr Botha had added: "Governments that allow in their territories persons of violence who arm themeselves with weapons and explosives must take into consideration that they are playing with fire.

OVERSEAS NEWS

Robert Thomson reports on a tougher security stance

Peking plays rough with the press

THE WHITE van crept slowly to where I had parked in the foreigners' compound. With headlights off, the two Chinese undercover police tried to look inconspicuous, which was not easy at 1.30 a.m. in an otherwise quiet Peking.

The officers watched my two friends walk into their apartment and then waited for my next move. I waited for their next move, which was to drive into a side-street. The roles reversed, I began to follow and in true cloak-and-dagger style, they tried to lose me in the maze-like compound.

After I took a short-cut and met the van face-to-face, the officers flashed their lights, tooted the horn and ended the game in a comradely way. Sadly, the games that Chinese security men play are getting rougher and more frequent.

A Japanese journalist, Mr Shuitsu Henmi, was forced this week to leave, but it was not until after he left that State Security made public the allegations against him. The Chinese Government attempted to blur the issue and smear Mr Henmi by alleging he paid a Chinese government employee $135 a month to provide "state secrets," yet his crime was that he is a good journalist.

Diplomats suggest that another of his crimes was that he is Japanese, as Sino-Japanese relations have soured in recent weeks, and Mr Henmi's expulsion shows that China has kept its promise of last week to take "tough action" against Japan.

Several other journalists published the same material he was alleged to have bought, but, for the time being, they are still in Peking.

Mr Henmi received the full State Security treatment. He was consistently followed, endured long interrogation sessions and threats of various kinds, and was ultimately shown the "open door." He denies the charges made against him, but saw no point in fighting the renewed might of the security apparatus.

Surveillance of foreign journalists and diplomats has risen significantly in recent weeks, and the tighter control appears to be linked to the political turbulence that shook the Communist Party chief, Hu Yaobang, from power three months ago.

Several days ago, a US journalist, on his way by bicycle to visit a Chinese friend, noticed that he was being followed by a Chinese security man, also on a bicycle. Instead of taking a risk with his friend the journalist aborted the visit and returned home.

The street monitoring and a marked increase in phone-tapping are a measure of the insecurity of the State Security and Public Security bureaux, which were reined-in several years ago by senior Communist officials who now have less power in a party still troubled by political infighting.

Both agencies—State Security specialises in counter-intelligence, while Public Security is more of a police force—are particularly suspicious of journalists and diplomats with Chinese friends, and seem to have launched an intimidation campaign. Young Chinese have even been offered money to report on conversations with foreign friends.

It has always been difficult for Chinese to visit the compounds housing diplomats and journalists, who are regarded as quasi-diplomats, though one security officer explained that "we are protecting you." Chinese can only enter in the company of a foreigner, and, in the past month, plain-clothes security men monitoring compound gates have begun working through the night and security cameras have recently been installed.

The plain-clothes security men inside the compounds occasionally get carried away by suspicion. A Chinese-Australian friend staying in a compound was nabbed by several security officers and hauled away for several hours of questioning, which she complicated by giving purposefully wrong answers, before the officers realised she was actually a foreigner.

While security around the compounds is tight, vandalism and theft within their walls are common. A survey last year of crime found that flats had frequently been broken into and money and sound equipment stolen, presumably by diplomats' delinquent children. However, Chinese police will not get involved, as they figure that the foreigners can solve these problems themselves.

The first sign of the changed mood of the security agencies, which attempt to retain power by emphasising the threat foreigners pose to China's welfare, was the expulsion in late January of a US journalist, Mr Lawrence MacDonald, for alleged spying.

A Chinese student, Lin Jie, was arrested for supposedly "providing intelligence" to Mr MacDonald, and he has not been heard of since. If Lin Jie was not a State Security plant, he will receive a long prison sentence.

A further sign of the upheaval within the security agencies, is the dumping of Ruan Chongwu, the Public Security minister, who was appointed in late 1985 and is a close associate of Hu Yaobang.

Ruan had been an unusually open minister and gave an unprecedented press conference last year at which he invited any journalist being harassed by police to contact him. He was determined to improve the agency's image and had friendships with foreigners himself.

Ruan has been replaced by Wang Fang, a political and legal enforcer best known for his performance as prosecutor of Mao Zedong's wife, Jiang Qing, in 1979, when she stood trial for her crimes in orchestrating the Cultural Revolution. Wang shows no signs of the compassion or open-mindedness of his predecessor.

Dispute likely over Hong Kong defence

BY DAVID DODWELL IN HONG KONG

SENSITIVE NEGOTIATIONS begin in London today on the funding of Britain's defence establishment in Hong Kong in the nine years before China's resumption of sovereignty.

Hong Kong officials will be pressing hard for spending cuts—and for a smaller share of costs to be carried by the Hong Kong Government—as the size of the garrison in the territory is run down up to 1997. Under the defence costs agreement that expires next March, Hong Kong taxpayers pay for 75 per cent of the cost of supporting the British garrison in the territory. In 1986, this amounted to HK$1.4bn out of a total cost of HK$2bn.

Renegotiation of the Defence Costs Agreement is expected to take at least five rounds of talks. Officials—who aim to conclude an agreement by autumn—have predicted that it would generate extreme tension between Whitehall and the British colonial administration as British Defence Ministry staff, under severe budgetary pressures of their own, resist Hong Kong's demands.

The negotiations will be more than usually tough because the 8,800-strong garrison must be gradually phased out ahead of 1997. Peking has said that it intends to station People's Liberation Army (PLA) troops in the territory after 1997, but will be making no charge on the local administration.

Hong Kong is the home of Britain's Gurkha battalions, and as troops are withdrawn from Hong Kong, the Ministry of Defence must make sensitive decisions over the fate of the Gurkhas.

Nowadays, Britain's armed forces in Hong Kong are used primarily in patrolling the territory's land border with China to prevent illegal immigration from the mainland. Local police are gradually being trained to replace these forces.

Pressure for a reduction in payments is also due to a conviction among some Hong Kong officials that a much larger-than-necessary military force is being maintained in the territory so that Whitehall does not have to confront awkward decisions about the plight of the Gurkhas.

Italy 'too reliant' on oil imports

ITALY'S heavy dependence on oil imports would put the country's economy at risk if world prices rose further, the International Energy Agency said yesterday, Reuter reports from Paris.

In its annual review of Italy, the IEA said such a development would pose the threat of higher energy costs for consumers, competitive disadvantages for industry and problems for the security of long-term energy supplies.

The agency said Italy also needed substantially to improve its energy efficiency and implement fully the energy conservation policies it had adopted.

The country's total primary energy requirement would rise by around 1.5 per cent annually between 1985 and 1995 to reach the equivalent of 151m tonnes of oil in 1990 and 163m tonnes in 1995, the agency said.

In contrast, domestic energy production was forecast at 33m tonnes of oil in 1990 and 40m tonnes in 1995

"This means that during the remainder of this century, Italy is likely to remain dependent on imports," the IEA said. Twenty two per cent of Italy's primary energy requirement is expected to come from domestic production in 1990 and 24 per cent in 1995.

The IEA said oil demand would remain stable at about 80m tonnes of oil between 1985 and 1990 and decline to around 70m tonnes in 1995

Demand for natural gas, which currently supplies 20 per cent of primary energy requirements, is expected to rise to the equivalent of around 34m tonnes of oil in 1995 from 27m tonnes in 1985, with gas imports under contract forecast to rise to the equivalent of 24m tonnes of oil in 1995 from 17m tonnes in 1985.

"At that stage 45 per cent of contracted imports would come from the Soviet Union, 41 per cent from Algeria and 14 per cent from the Netherlands," it said.

Finsider makes L943bn loss in 1986

By Alan Friedman in Milan

FINSIDER, the Italian state steel group whose restructuring was being planned by IRI, the state holding group, suffered a L943bn ($730m) loss in 1986.

The deficit although down slightly on the L1,123bn loss of 1985 remains enormous.

IRI is currently examining a comprehensive restructuring plan for Finsider. The plan is likely to see asset disposals, heavy redundancies and some partial privatisation moves. Cementir, the Finsider cement subsidiary, is to be privatised shortly.

Finsider's debt servicing costs alone last year totalled L739bn. The group's depreciation charges were increased meanwhile from L759bn in 1985 to L807bn last year.

Italian industry output up 9.6%

ITALIAN industrial production rose 9.6 per cent in March 1987 compared with March last year, the national statistics institute Istat said, Reuter reports from Rome.

The rise follows a February year-on-year rise of 1.6 per cent.

Istat's industrial production index, base 1980 = 100 and not seasonally adjusted, registered 114.3 compared with 104.3 in March 1986 and 101.4 in February 1987. Istat points out there were 22 working days in March, compared with 20 in February and the same number in March 1986.

Istat said the year-on-year rise reflected better activity in virtually all sectors and particularly office machinery, cars, wood and furniture, textiles and precision tools.

There were poorer performances however in the oil, leather and minerals sectors.

SHIPPING REPORT

Active month for crude tankers from Gulf

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

ABOUT 30 very large crude carriers (VLCCs) have been reported from the Middle East Gulf so far this month—almost double the number of fixtures concluded during the corresponding period of each of the previous four months.

Brokers said rates had continued to improve in line with demand, but increases had been restrained by the large amount of tonnage which remained available, though many of these vessels were said to be in semi-lay-up.

Galbraith's, the London brokers, said Agip had concluded two VLCCs for the voyage from the Gulf to the Red Sea at slightly in excess of Worldscale 35, while Chevron paid Worldscale 30 for 265,000 tons from the Gulf to the US.

The impetus appeared to have been maintained for medium-sized tonnage: Texaco fixed two vessels for 110,000 tons each, including options for US discharge at Worldscale 62.5.

E. A. Gibson, the London brokers, said the best market was for larger clean vessels being fixed on private terms, though smaller clean ships had found it hard to obtain charters, except at the reduced rate of Worldscale 150 for discharge in Japan.

In the dry cargo market, brokers reported an active week with a high volume of fixing for Panamax tonnage, the biggest ships able to traverse the Panama Canal.

Denholm Coates, the London brokers, said rates varied considerably depending on the age, type and position of tonnage, but the upward trend was clearly continuing.

Rates for the US Gulf to Japan voyage reached $19 a ton—around $1 a week higher than last week—and there were unconfirmed reports that $19.50 had been reached.

World Economic Indicators

UNEMPLOYMENT

		Apr. 87	Mar. 87	Feb. 87	Apr. 86
US	000s	7,500.0	7,854.0	7,967.0	8,323.0
	%	6.3	6.6	4.7	7.1
UK	000s	2,158.2	2,181.0	2,233.9	2,290.0
	%	11.2	11.3	11.6	12.0
		Mar. 87	Feb. 87	Jan. 87	Mar. 86
W. Germany	000s	2,412.4	2,487.8	2,497.2	2,447.6
	%	8.8	9.1	9.1	9.0
France	000s	2,679.1	2,698.7	2,728.7	2,468.5
	%	11.5	11.6	11.7	10.6
Italy	000s	3,383.0	3,403.6	3,330.4	3,207.4
	%	14.7	14.8	14.5	14.0
Netherlands	000s	692.2	708.7	712.6	725.0
	%	12.1	12.4	12.4	12.6
Belgium	000s	495.2	508.4	530.5	504.7
	%	12.0	12.4	12.9	12.3
		Feb. 87	Jan. 87	Dec. 86	Feb. 86
Japan	000s	1,860.0	1,820.0	1,610.0	1,640.0
	%	2.93	2.96	2.94	2.55

Source (except US and Japan): Eurostat

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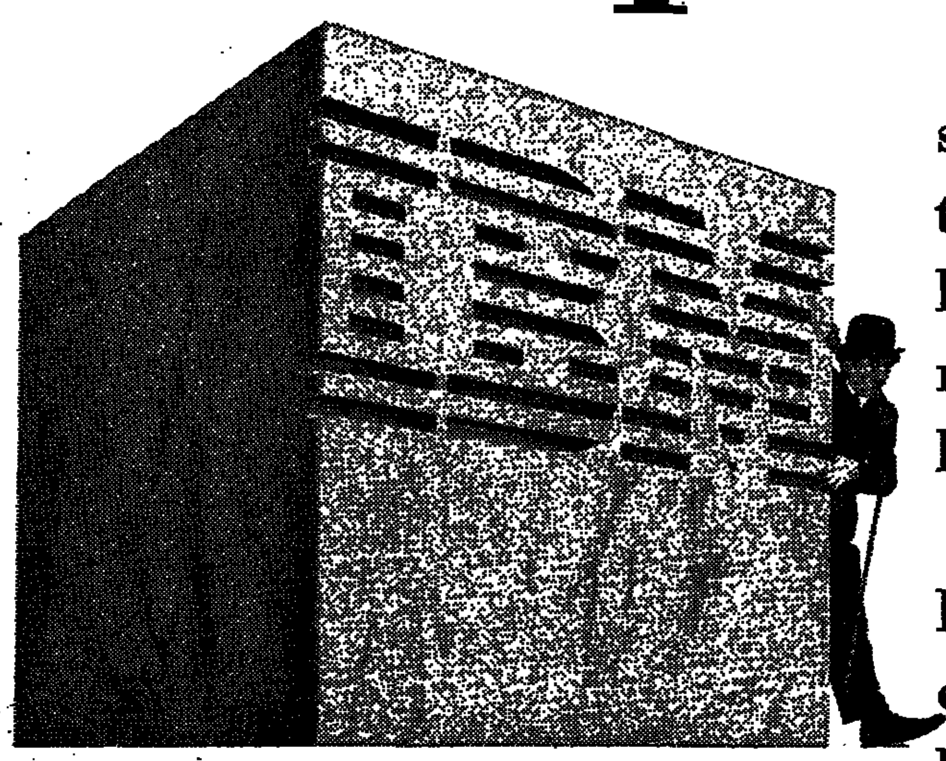

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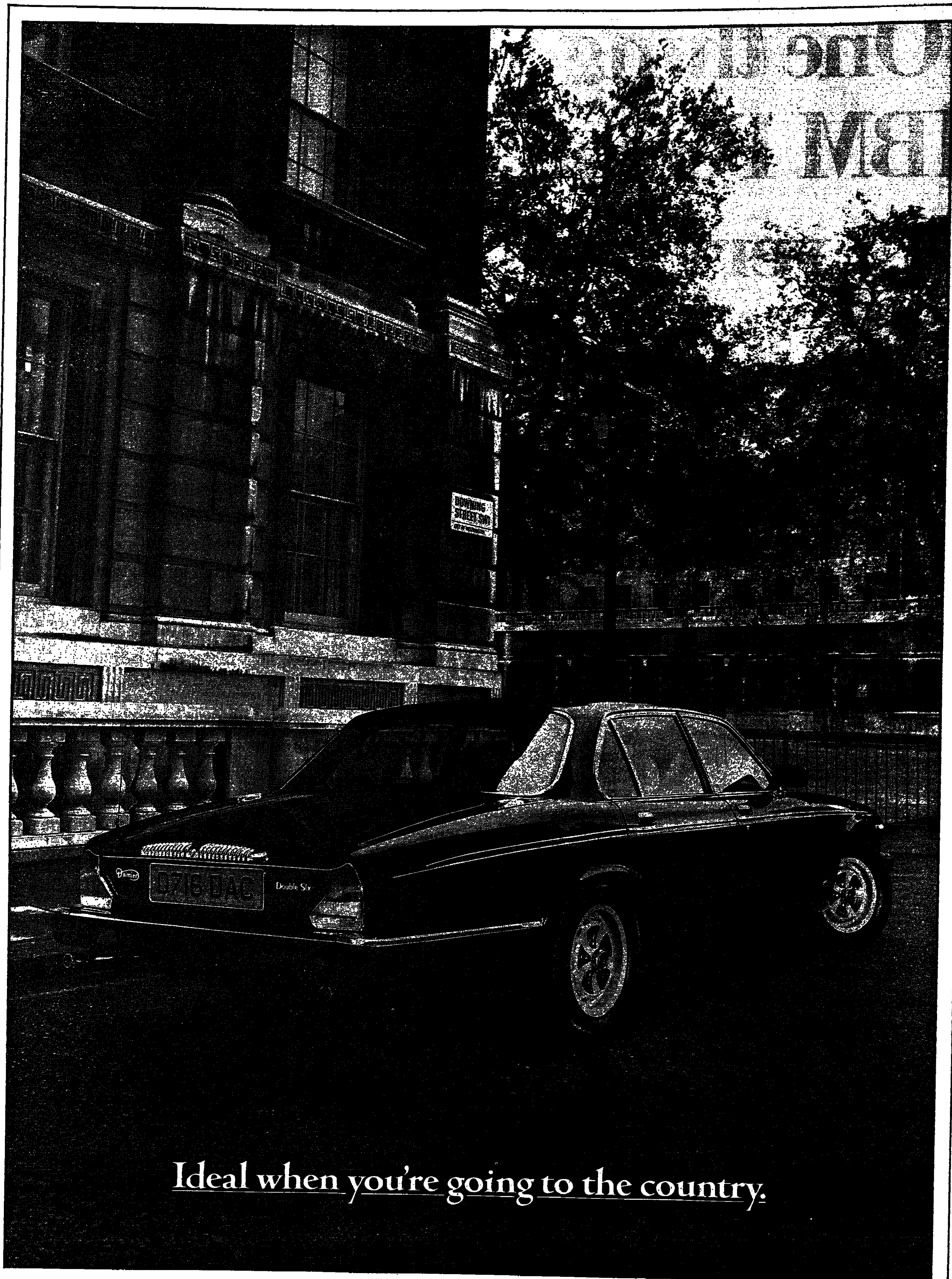
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UK NEWS

Extel asks to have hostile bid quashed

By Terry Povey

EXTEL, the financial and racing information group, will today ask the Takeover Panel to quash the hostile £252m bid from Lord Stevens' United Newspapers, claiming a breach of the panel's rules.

Extel has already asked the Office of Fair Trading to consider competitive and conflict of interest issues which, it claims, could arise from a succesful bid.

Extel and its advisers, Kleinwort Benson, the merchant bank, are expected to argue at a full meeting of the panel this morning that United Newspapers, publishers of Express newspapers, and fund managers MIM, of which Lord Stevens is also chairman, constitute a concert party, an alliance of shareholders intent on gaining control, with a combined holding of 33.4 per cent.

The panel has three options; it could reject the concert party allegation, in which case the existing bid would proceed; if it found there was a long standing concert it could order United to sell all or part of its holding and even lapse the bid; or, it could decide that a presumed concert party had come into existence only after United acquired its holding in Extel on April 30, a day before the bid was made.

If the panel decided on the third option, the existing bid would be able to proceed but United would be restricted in its share purchases in excess of a further 2 per cent until its shareholders approved the offer for Extel.

If United was obliged to sell down to a combined 29.99 per cent, the bid would proceed and the panel would be likely to suggest the name of an independent stockbroker to handle any forced share sale.

Merchant bank, Samuel Montagu, acquired the disputed 26.3 per cent holding in Extel for almost £85m on behalf of United Newspapers following an auction of the stake by Mr Robert Maxwell, publisher of Mirror Group Newspapers. The bank, which is acting as adviser to United, has agreed to accept the offer or to sell the share parcel on to United at cost. The deal had to be structured in this way as United could not have acquired such a large holding without first seeking shareholders' approval.

Andrew Taylor explains a house bricks shortage

Material building threat

THE LEVEL of private housebuilding in Britain – at its highest for 15 years – is increasingly straining suppliers of some building materials, with delivery delays of up to 18 weeks for some types of facing bricks.

Long delays are also being quoted for aerated concrete blocks, widely used for the inner walls.

Housebuilders say supply problems have not held up work. But some fear that delays could increase and shortages spread to other products during the summer – traditionally the busiest period of the year for housebuilders.

London Brick, selling around a third of all bricks produced in Britain, has particular problems in meeting demands for some of its range.

A decision by the company 18 months ago to shut temporarily four of its kilns for refurbishment has left London Brick under capacity as private housebuilding levels have soared.

Mr David Lepla, the company's national sales manager says: "When we took the decision to refurbish the kilns, private housing starts were forecast to be around 140,000 in 1986." In the event private housing starts rose to 185,000 last year and the pace of activity, if anything, has accelerated during the first three months of this year."

Figures produced by the National House-Building Council show that the number of private new homes started in Britain during the first three months of this year rose to 46,000 – the highest number of private first quarter housing starts since 1972.

Stocks held by London Brick have dwindled to just 15m, against the 100m to 150m the company would normally aim to have at this time of year.

It has generally been able to keep delivery delays to between 6 and 8 weeks for more popular products but delays of between 12 and 18 weeks are being quoted for some of its older ranges.

The company's problems were compounded by a two week industrial dispute last November when production of around 50m bricks was lost.

Tarmac, which is vying with Wimpey to become Britain's biggest private housebuilder, also includes brick and block making amongst its activities.

It says: "We are aware of the pressures in the market. So far there have been no major problems but we do have contingency plans should the situation worsen."

London Brick, as the sole manufacturer of bricks made from fletton clay, holds a key position in the British market because these bricks are cheaper to produce.

Mr Richard White, a director of the Surrey-based building material suppliers, Builders' Merchants, says: "Housebuilders may be able to switch to other types of bricks but the same option does not exist for builders trying to match bricks for an extension."

He said manufacturers of concrete aerated blocks had for months been rationing supplies in an effort to meet the demands of housebuilders.

Nuclear power delay cost £7m

BY DAVID FISHLOCK

THE NUCLEAR industry claims it has solved the control problem which has delayed the start of Britain's latest nuclear stations by up to a year at a cost of £7m in modifications.

Mr Ted Pugh, managing director of the National Nuclear Corporation, estimates the cost of designing, testing and installing modified control rods at about £1.75m per reactor, for each of the four, 660 megawatt Advanced Gas Cooled reactors. The problem was discovered last October.

A month of engineering tests has just begun of the first Advanced Gas Cooled reactors. If successfully completed, nuclear fuel will be loaded and the reactors should be producing power by the autumn, in time for next winter's peak demand.

These are the final tests of the complete reactor before the Government's nuclear inspectors approve loading of nuclear fuel.

The trouble was discovered before it could pose any nuclear safety problem, even though the control rods are the means of shutting down the reactor.

The engineering tests showed that the control rods had been swirled round in the coolant gas stream in ways the designers never intended, and had suffered surface scoring by rubbing against other parts. It was the only serious problem revealed.

The problem was traced to a modification made to reduce damage by hot carbon dioxide gas to the gas dome. The re-routed gas flow was making the control rods spin. The modification had never been tested on rigs outside the reactor before it was approved.

Decline in let farm values easing

BY DAVID BLACKWELL

THE DECLINE in the value of let farm land, nearly 40 per cent in the past two years, is bottoming out, according to a survey.

The fall in capital values has been broadly in line with the decline in the vacant possession sector for similar commercial farms. Last year saw a fall of 19.6 per cent, compared with a 17.8 per cent fall in 1985. The survey expects a further fall this year, but "we expect it to be somewhat less than both the 1986 and 1987 figures."

The survey, by Investment Property Databank, covers 396 tenanted farms with 501,085 acres owned by financial institutions such as pension funds, insurance companies and property unit trusts.

The combination of a modest growth in rentals and the "substantial fall in capital values" led to a decline in the total return from the land of 15.4 per cent for 1986, compared with a fall of 14.4 per cent the previous year.

Most of the institutions indicated that they would continue to retain their investments in land, although they have been selling to sitting tenants and capitalising on alternative uses for farm buildings and land where appropriate.

The last six months has seen growing interest in farms from private individuals and trusts, together with some overseas buyers, says the survey. Institutions have to date, remained wary of re-entering the market.

UK NEWS

Lynton McLain looks at European airliner launch aid

Airbus terms lift BAe

THE GOVERNMENT appears to have given in almost completely to the demands of British Aerospace (BAe) for launch aid for the next generation of European Airbus airliners on repayment terms acceptable to the company. This is despite having given BAe less money than it had requested.

Therefore, the taxpayer, and not BAe, will entirely bear the early risks of the proposed A330 and A340 Airbus programmes.

The Department of Trade and Industry (DTI) said last week, after Mr Paul Channon, Trade Secretary, had made his House of Commons statement on the provision of £450m launch aid: "The majority of the sum of launch aid is to be repaid with an adequate return to the Government by a levy on the sale of aircraft. A minority of the launch aid is repayable as a debt."

A loan to BAe, and an agreement to repay the debt, would have ensured that the taxpayer was guaranteed that at least some of the £450m would be repaid even if the company and its Airbus partners did not sell a single A330 or A340 airliner.

BAe commented: "There is no fixed repayment irrespective of sales of the A330 and A340, as there was with the A320 Airbus."

The DTI said that the repayment terms of the £450m launch aid were "comparable with the repayments for the Airbus A320 airliner."

Mr Paul Channon

BAe received £250m launch aid for its part in the A320 programme. The company said last week it had to make these repayments in two ways. First, a series of fixed repayments between 1990 and 1992, totalling £50m, these were not linked to sales of the A320. Secondly, the balance of £200m, with interest and a rate of return for the Government, had to be repaid as a levy on sales of the aircraft, on a sliding scale – smaller levies as sales started, rising as sales accelerated.

Sir Austin Pearce, BAe chairman, told City of London stockbrokers on Friday that "the difference between the £400m being unacceptable and the £450m that is acceptable is not just in the figure. It is the package that has bridged the gap between the two."

The £400m offer had included a "requirement by the Government for a fixed repayment," BAe said last week. This would have been a bigger proportion of the total launch aid than the Government had insisted on with the A320 launch aid and would have been more onerous for us, BAe said.

"Now we have accepted £450m," Sir Austin told the stockbrokers. "The terms of repayment are now very much better."

BAe said this was reflected "in the absence of fixed repayments." Contrary to the statement by the DTI, the entire £450m launch aid is to be repaid from a levy on sales of the proposed new Airbuses. If no airliners are sold, the taxpayer's money will be lost.

BAe has also forced the Government to offer a less onerous sliding scale for the levy on sales.

"The profile of the sliding scale is better," the company said.

BAe wants to be well into the programme for the A330 and A340 before spending its own money, estimated at £550m, said Mr Bernard Friend, the company's finance director.

Editorial comment, Page 22

Engineering groups launch attack on training programme

BY CHARLES LEADBEATER, LABOUR STAFF

A GROUP of 14 major engineering companies has launched a strong attack on the Manpower Services Commission (MSC) which administers the Governments employment and training programme, and the Engineering Industry Training Board over their criticism that companies are not spending enough on training.

The companies are angry about what they believe is misleading use of statistics to overestimate the extent of skills shortages and underestimate the amount industry spends on training.

The companies' criticisms reflect disenchantment with Mr Bryan Nicholson, the MSC's chairman, who has repeatedly thrown doubt on employers' commitment to training.

The group's intervention marks a significant sharpening of the debate over how training should be financed.

So far only the Ford Motor Company has put its name to the criticisms of the MSC and the Engineering Industry Training Board (EITB). But the group also includes GEC and Lucas Industries. Between them the 14 companies employ more than 500,000 people – about 33 per cent of all employees covered by the training board.

The companies would like to curtail the board's powers to transform it into an advisory body with no power to levy companies to raise finance for training.

They believe responsibility for meeting training needs should be devolved to local organisations, rather than attempting nationally to meet all skills shortages and provide all training incentives.

The board is considering revising its rules to increase both the quality and quantity of training by making it more difficult for companies to gain exemption from paying the board a training levy. Under the EITB's rules 95 per cent of the companies it covers are exempted from paying a levy because their training is judged to be satisfactory.

Mr Terry Wilson, education and training adviser at Ford Motor Company, writing on the group's behalf in the latest issue of Transition, the training magazine, says the argument that industry is failing to train is built on shaky foundations.

Caterpillar plant deal falls through

By James Buxton in Glasgow

A SCHEME to build an off-the-road vehicle at the Caterpillar tractor plant at Uddingston near Glasgow is not to go ahead. Negotiations between Caterpillar and Multi Purpose All Terrain (MPAT), which has developed an all-terrain vehicle, have ended without agreement.

MPAT's project to manufacture its vehicles in the Caterpillar plant, which the US tractor manufacturer is to close early next year, emerged last month, shortly before the ending of the 103-day sit-in by members of Uddingston workforce, who were fighting the closure plan.

MPAT, which is based at Nairn near Inverness, claimed to have 1,200 overseas orders for its vehicle.

Small store first to sell new sound system

BY DAVID THOMAS

A SMALL store in London has become the first retailer in the UK to declare its intention of selling a revolutionary Japanese sound system.

The system, called digital audio tape, has caused a row with the Western music industry which fears it will drain its copyright income because it allows almost perfect recording from a compact disc.

Digital audio tape machines have been launched in Japan, but have not so far been sold in Europe or the US, though they are due to be demonstrated at a trade fair in London this week.

Playback is already selling digital audio tape cassettes of lengths between 60 and 120 minutes for £8.50 to £11.

Mr Hansen expected most of the buyers of the recorders to be people involved in the music recording business. They have bought most of the digitital audio tape cassettes which Mr Hansen has sold.

Playback said that about 500 digital audio tape recorders were being used professionally in Britain at present, but all of them had been bought in Japan.

James Buxton writes: British and Japanese companies are close to gong ahead with a project to manufacture video recorders (VCRs) in Scotland. Hinary Consumer Electronics, a British distributor of electronic consumer goods, said yesterday it had formed a 50–50 joint venture with Shintom, a Japanese manufacturer in the same field. The site would be at Cumbernauld.

Pargesa Holding SA

GENEVA

Notice is hereby given to shareholders of an

Annual Ordinary Shareholders' Meeting

to be held on Wednesday, May 27, 1987, at 11.30 A.M.
at the Head Office of
BANQUE PARIBAS (SUISSE) S.A.
2 Place de Hollande, Geneva (Switzerland)

To consider following items:

1. Report of the board of Directors, presentation of the Financial Statements for the fiscal year ended December 31, 1986, and Auditor's Report.
2. Discussion, approval of said Reports, and proposals to allocate the net profit.
3. Release and discharge of the board of Directors.
4. Election and reelections.
5. Appointment of the Auditor.

Shareholders may obtain entry cards to the Shareholders' Meeting at the BANQUE PARIBAS (SUISSE) S.A., UNION DE BANQUES SUISSES, SOCIETE DE BANQUE SUISSE and CREDIT SUISSE, from May 15 to 26 until noon, depositing their shares or a receipt for such deposit with another bank.

The Annual Report, including the income statement, the balance sheet, the Auditor's Report, the proposals by the board of Directors regarding the allocation of the fiscal year's net profit, are available to the shareholders at the Head Office and the subsidiaries of the aforementioned banks.

Geneva, May 4, 1987

For the board of Directors

The President
A. de Pfyffer

The Secretary
S. Tapernoux

هكذا من الأهلي

Cup Final in second place to LME trial

By Stephan Wagstyl

THE LONDON Metal Exchange (LME), which is rushing to reform its trading systems to meet a tight regulatory timetable, completed its first test of its modernised market place on Saturday despite the competing attractions of the Football Cup Final at Wembley stadium.

Mr Philip Robinson, the executive in charge of the trial, said yesterday LME members had told him "we had far fewer problems than we had any right to expect."

There were difficulties linking some of the 34 trading companies to the system; the network went down twice, once for 15 minutes and once for 1½ hours; but the biggest obstacle was the fact that some traders went home early to watch Tottenham Hotspur lose to Coventry City.

However, Mr Robinson said that overall the trial was successful and boded well for May 29 when the new system goes live. Mr Robinson is LME project manager working for the International Commodities Clearing House, the company which is installing modern computerised market systems at the metal exchange. Under pressure from the Securities and Investments Board, the City markets watchdog, the LME is abandoning its century-old principal-to-principal trading system in favour of one in which a clearing house (ICCH) acts as an intermediary in trades.

Saturday's trial involved 34 firms who plan to be clearing members of the exchange, the world's leading market for base metals. The purpose of the test was to ensure that the telephone and computer network linking trading companies, the exchange and ICCH were good enough to allow trades to be matched.

In the event, some 900 out of 2,300 trades went unmatched but this was partly because some companies closed down early so that staff could leave to watch the football.

Mr Robinson said that matching all trades was not the point of the test. Rather it was to try out the network and the operators; 14 of the 34 firms came online as soon as the trial started at 9 am. All were in place by noon. "The main point is that the system worked."

Peter Riddell on the constituencies that hold the key to the general election

The seats poised to change hands

ALL MPs tend to be nervous about losing their seats, even those with apparently rock-solid majorities. Perhaps it is part of the politician's temperament not to take anything for granted.

This caution, however healthy for the democratic process, is largely irrational because it would be a political upheaval of earthquake proportions if as many as 100 seats (out of 650) changed hands – although the Labour Party needs 117 gains for an overall majority in the House of Commons.

For the vast majority of MPs, or ex-MPs as they will become later today when Parliament is dissolved, the next 3½ weeks should be a formality.

The election battleground is therefore 80 to 90 marginal seats, spread throughout the UK, but with the common link of having majorities of less than 10 per cent, or 5,000 to 6,000. But the list is not quite as predictable as it was in the 1960s and 1970s, because of the rise of the Social Democratic Party/Liberal Party Alliance.

There is, first of all, the large group of Tory-held seats which Labour is confident of winning, and where the party has advanced since the 1983 election, according to a Harris Research survey of 100 marginals for yesterday's Weekend World programme on independent television.

These include a cluster of seven in Yorkshire and Humberside, a similar bunch in mid-Lancashire, at least three each in Scotland and Wales, several in London and scattered across the Home Counties and the Midlands.

In past general elections, the Midlands and London have been seen as key areas for gains by the opposition, but this time there could be movements in both directions. This partly reflects problems for Labour over the attitudes of traditional working-class supporters to publicity over the "black sections" row and over alleged "loony Left" activities of some councils.

Based on the May 7 local election results, the Tories have hopes of making gains in the West Midlands, in seats such as Birmingham Erdington and Wolverhampton North-East, as well as holding on to most, although not all, of their victories in the 1979 and 1983 elections.

Consequently, Labour has decided to increase the time spent by party leaders in the Midlands during the campaign.

Labour may also find it difficult to win more than half the 10 marginals in the East Midlands – Nottingham North, Sherwood, two seats in Leicester and Derby North – and is apprehensive about the position in Mansfield, where there are divisions within the miners over relations with Labour following the 1984-85 strike.

In London, Labour's dramatic loss of the Greenwich by-election in late February has raised questions about its ability to win many of the 15 Tory-held marginals in the capital although it is confident about Edmonton, Feltham and Heston, Dulwich and Lewisham West.

But Labour leaders are apprehensive about the possible loss of Walthamstow to the Tories, given strong local protests over rate (local property tax) rises, and of Islington South and Bow and Poplar to the Alliance.

In the local elections, there were several seats such as Birmingham Northfield and Oxford East (the sites of the Rover Group's Longbridge and Cowley plants, respectively) and Slough where Labour was ahead in votes cast, but not by a big margin, and where the Tories tend to perform much betterin parliamentary than local elections.

The big uncertainty in the election is the Alliance. On the basis of an even spread of national support, the Alliance's current poll rating of about 25 per cent would mean no more than the current 27 MPs. However, it has been concentrating resources on target seats and the May 7 local elections suggested that this strategy was paying off.

Alliance candidates were ahead in votes in more than 20 seats it currently does not hold, including Cardiff Central, Chelmsford, Hazel Grove, Southend West (held by Mr Paul Channon, Trade and Industry Secretary), Stevenage, Liverpool Broadgreen and Sheffield Hillsborough.

Other Alliance hopes, where the party has done well locally, are Birmingham Hall Green, Milton Keynes and Blyth Valley (the latter from Labour) although it is under pressure in its own seats of the Isle of Wight and Ryedale (from the Tories) and in Leeds West (from Labour).

England's university and cathedral cities also promise some intriguing contests. There are strong Tory/Alliance battles in Oxford West, Bath, Wells, Exeter and Winchester, a Tory/Labour battle in York, a Labour/Alliance battle in Durham and a three-way struggle in Cambridge.

Perhaps the strangest contest of all will be in the Western Isles, Britain's smallest constituency, where following the retirement of Mr Donald Stewart, the Scottish Nationalist leader, both Labour (with 30.1 per cent of the vote in 1983) and the Alliance (with 5.8 per cent) have hopes of winning.

What will matter here is not the relative merits of the party leaders but which local candidate has greater appeal to this church-going, majority Gaelic-speaking, community.

Labour plans a national silicon chip centre

By David Thomas

A LABOUR government would set up a national centre for silicon chip production and back British companies wanting to enter European alliances to create a European "third force" in information technology.

These are among the new policies contained in A Strategy for Information Technology, prepared by Mr John Smith, Labour's trade and industry spokesman.

Mr Smith says that central parts of the paper, which took a year to prepare, have been discussed with senior people in Britain's information technology industry.

"We know it reflects their concerns," he says.

He argues that the paper is the first recent attempt by a political party to think seriously about the future of Britain's high-tech industries.

CBI/FT SURVEY OF DISTRIBUTIVE TRADES

Retailers remain optimistic

GOOD WEATHER and a late Easter helped retail sales in April, but the increase was not as great as had been anticipated.

Some retailers said sales were disappointing for the time of year, but there is optimism about trade improving in May, according to the latest Confederation of British Industry/Financial Times monthly survey of distributive trades.

Consumer spending has been relatively flat in the last six months after several quarters of strong growth. The slow down is explained partly by a lower growth rate of real personal incomes; but the recent trend has puzzled economists because earnings are still rising much faster than prices.

However, the consumer boom is expected to pick up in the next few months, assisted by lower mortgage repayments and the budget tax cuts.

The survey reports that 65 per cent of the 315 retailers questioned thought their May sales would be higher than in the same month last year. Only 10 per cent thought they would be lower.

Shoe shops were most optimistic, with 90 per cent of respondents expecting May sales to be higher than a year ago. Retailers selling DIY goods, hardware and china also expect to do particularly well.

Mr Nigel Whittaker, chairman of the survey panel, said wholesalers were also more positive than in the past few months.

The survey shows that 76 per cent of the 192 wholesalers interviewed reported an increased volume of April sales, compared with a year before. For May, 64 per cent expect sales to be better than in the same period last year.

Electrical installation material wholesalers were the most optimistic, with 83 per cent expecting higher sales volume in May than a year before.

Wholesale builders merchants were also very positive, but agricultural machinery dealers again expect trade to remain below last year's level.

The improvement in the volume of retail sales follows a sluggish picture in March when the percentage of retailers reporting increases, minus the percentage reporting decreases, was +33 per cent. The comparable April figure was +43 per cent.

But a balance of +56 per cent had anticipated increased April sales – the third successive month expectations have exceeded the outcome.

The volume of orders placed by retailers, compared with a year before, rose in April at about the same pace as in March. April's figure was higher than anticipated.

Growth in the volume of orders is expected to be slightly faster in May, but stocks are expected to be run down as sales strengthen.

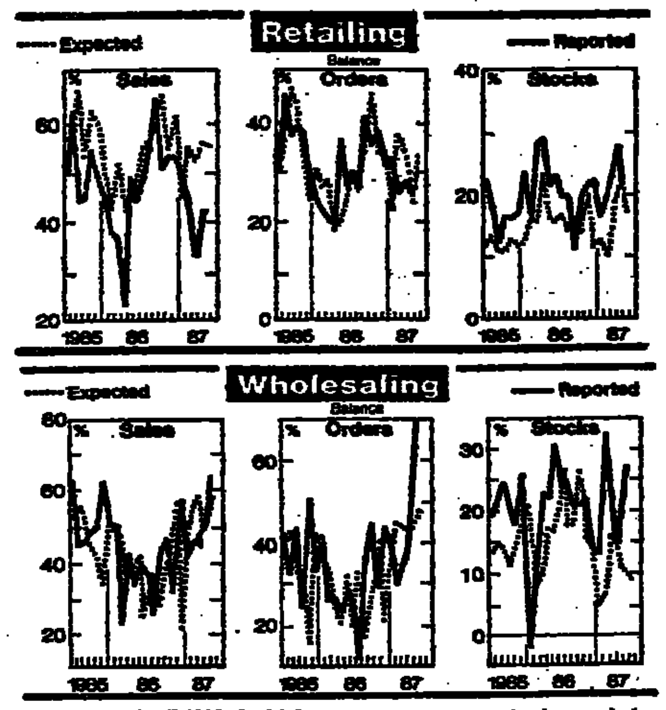
For wholesalers, the growth in the volume of orders in April was significantly above expectations. A balance of +65 per cent ordered more than in April 1986: the highest balance since the survey began in July 1983.

A further increase in orders is expected in May, but at a slower growth rate.

There was an unexpected increase in wholesalers stocks in April, but this is expected to ease in May.

Among motor traders, a balance of +46 per cent reported an April sales volume greater than a year before. This compares with a balance of +26 per cent in March.

The sales volume in April was considerably ahead of expectations: a balance of only +13 per cent had expected a rise.



Imports capture bigger share of manufactured goods

BY HAZEL DUFFY

IMPORT penetration in manufactured goods is estimated to have risen substantially towards the end of last year. It was compensated only partly by a modest improvement in export performance for the whole of 1986.

Official statistics published in British Business estimated that imports last year were 34.8 per cent of UK home demand against 33.9 per cent for the 12 months to September 1986. The latter statistic was 0.9 percentage points lower than that for the year to September 1985, but 0.3 percentage points above the previous figure for the year to June 1986. Figures for the last quarter of 1986 are provisional.

Export performance, after registering a decline for the first three quarters of last year, started to pick up towards the end of the year, which resulted in a slight improvement for the year as a whole. The provisional estimate put exports at 29.5 per cent of manufacturers' sales for 1986 compared with 30.2 per cent in 1985.

In the motor vehicle industry, the trade gap worsened considerably. Import penetration was 32 per cent of home demand, against 30 per cent in 1983. Exports dropped from 37 to 34 per cent of sales.

Manufactures in the class of other transport equipment, however, showed a marked improvement last year, exports being well up. Metal manufactures increased exports and imports, with no deterioration in the trade gap.

National Savings cash inflow drops sharply

BY HUGO DIXON

THE NET CASH inflow to National Savings fell sharply to £18.2m last month from £98.1m in March and £166.9m in February.

The decline is explained mainly by the suspension of the 32nd issue of fixed-interest certificates in March. As a result, there was no inflow to fixed-interest certificates last month and an outflow of £133.1m.

National Savings' decision to lower interest rates by an average of 1¼ percentage points, however, will have had only a marginal effect on April's figures, as most of the rate changes did not come into force until May.

The main sources of funds last month were Income Bonds, which contributed a net inflow of £178.6m and Deposit Bonds, which contributed £16.6m. There was a net outflow of £29.0m from Index-linked Certificates and of £24.4m from the Investment Account.

With accrued interest, National Savings contributed £195.5m last month to government funding.

Safety faults disclosed on imported gas cookers

BY DAVID CHURCHILL

SAFETY FAULTS in eight, low-priced imported gas cookers are revealed today in a special survey from two leading consumer protection organisations.

The Gas Consumers Council and the Consumers' Association now want the new government to implement, as an early priority, regulations to bring all new and second-hand gas cookers within the scope of the 1978 Consumer Safety Act.

The survey of the imported cookers found that two had serious safety faults while the others were unsatisfactory in varying degrees or had safety drawbacks, such as no automatic gas shut-off devices.

The consumer groups acknowledge that the manufacturers and importers have now modified or corrected many of the faults in later models. But the report points out that "consumers cannot know which imported cookers are satisfactorily designed and which are not."

The survey was carried out following widespread concern over the safety of gas appliances, particularly cookers.

At present, there are no regulations that cover the sale of gas appliances, including cookers. British Standards (BS) for gas cookers are not mandatory, and the only protection for consumers comes from regulations which put the responsibility for safety on the appliance installer.

All new, British-made gas cookers comply with British Standards and are identified by the BS 'Kitemark' emblem.

The survey also draws attention to the low level of payments for gas cookers from the Department of Health and Social Security for those on supplementary benefits.

Testing the safety of low-priced imported cookers. Gas Consumers Council, 162 Regent Street, London.

UK NEWS

ASTMS delegates clear way for merger with Tass

BY CHARLES LEADBEATER

THE ANNUAL conference of ASTMS, the white-collar union, has cleared the way for merger with Tass, the manufacturing union, to form one of the TUC's largest members. Leaders of both unions are confident, after votes this weekend at the conference in Cardiff, that merger will be approved by a membership ballot this year.

There was much debate on the structure and rules of the planned union but little questioning of the industrial logic behind the merger.

The conference cleared the way after delegates overwhelmingly supported conference officials who had toned down motions which could have blocked the merger.

The motions initially instructed the ASTMS leadership to accept merger only if conditions were met. These covered:

- The role and size of the merged union's annual conference.
- Branch funding and participation in decision-making.
- The composition of the conference to determine the union's rules.

ASTMS leaders said these motions if passed would thwart the merger because they would deny the union flexibility in talks with Tass. The 1,200 delegates agreed that the merger debate should be consultative rather than policy-making.

Those moving the motion said the ASTMS leadership had conceded too much to Tass, the smaller of the two unions, by allowing the merger to proceed with both unions on an equal footing.

There were suggestions the new union would be more centralised and less democratic than ASTMS, because of its size and because of the strength of the traditional left-wing in Tass.

The two unions will hold simultaneous conferences in September to decide whether to put detailed merger proposals to a postal ballot of members. If the ballot approved the merger, the two unions would operate as separate divisions of a single union until the constitutional conference scheduled for summer next year.

ASTMS MEMBERS have damaged government hopes that secret ballots in union elections would produce more moderate union leaderships: all 22 national-executive members seeking re-election under the first postal ballot ASTMS held for such elections retained their seats.

Such elections were hitherto conducted through workplace polls. The postal ballot was held under the Trade Union Act 1984. About 15 per cent of the union's 330,000 members voted.

There were more than 50 candidates for 13 contested seats. The remaining nine executive members were returned unopposed. The vote is a blow to Mr Clive Jenkins, the union's general secretary. He has lost a series of votes on the executive over the past year.

Nupe firm on statutory minimum wage

BY OUR LABOUR CORRESPONDENT

MR RODNEY BICKERSTAFFE, general secretary of the 660,000-strong National Union of Public Employees, yesterday said the union would not back down from a call for a statutory minimum weekly wage of two-thirds the national average.

He told the union's conference in Scarborough he was not ashamed of the union's part in public-sector strikes in the so-called winter of discontent of 1979, widely blamed for Labour's general election defeat that year.

Delegates passed a motion viewing with alarm and dismay Labour's failure to commit itself to immediate introduction of that level of minimum wage if the party came to power.

Some delegates called for industrial action if a Labour government did not alter its joint proposal with the TUC, which has been interpreted as committing the party to an £80 minimum wage. Two-thirds of the national average would be £120.

The conference opposed overwhelmingly any wage-restraint measures under a Labour government and called for a 35-hour week with at least six weeks' annual holiday, in addition to the minimum wage.

Farmworker militancy expected to rise

BY JIMMY BURNS, LABOUR STAFF

MR BARRY LEATHWOOD's appointment as national secretary of the agricultural section of the Transport and General Workers' Union is expected to lead to greater militancy among farmworkers.

Mr Leathwood, 46, said yesterday he did not believe in political classifications and was comfortable being referred to simply as a union member who also belonged to the Labour Party; however, he is reputably more militant than outgoing leader Mr Jack Boddy, MBE, 65, who retires in August.

Yesterday he said his priorities included union recruitment and organisation in rural areas where farmworkers in recent years had shown themselves too thinly spread and isolated to take effective industrial action on pay and conditions.

Mr Leathwood has been regional trade group secretary for south-west Britain since 1983. There he has organised overtime bans.

Yesterday he pledged to pursue a similarly vigorous campaign to replace the Agricultural Wages Board by a statutory joint industrial council, a move expected to be endorsed today at Eastbourne by the unionised farmworkers' annual conference.

Members of Bifu reject strikes over 5% award

By John Gapper

MEMBERS OF the Banking, Insurance and Finance Union have rejected a call for a series of one-day strikes in protest at an imposed 5 per cent pay award, voting instead to confine industrial action to an overtime ban from June 8.

The result of a ballot of about 50,000 clearing-bank staff in England and Wales was announced yesterday at the union's annual conference in Blackpool, by Mr Leif Mills, general secretary.

He said about 20,000 ballot-papers were returned. There was a three-to-one vote for an overtime ban but a narrow majority against selective strikes, in spite of a recommendation for such action from Bifu's executive committee.

The vote was in response to a decision of the Federation of London Clearing Bank Employers — representing Barclays, Lloyds and National Westminster banks—to impose the 5 per cent award on about 150,000 staff.

More than 100,000 of the staff covered by the offer are represented by the Clearing Bank Union, which is holding ballots on a similar overtime ban. Mr Mills called for action by both unions to be co-ordinated.

He said he hoped joint action would force an improvement in the settlement, which was imposed after the failure of talks at Acas, the conciliation service.

Bifu asked for a pay rise of 9 per cent or £15, whichever was the greater, over the four grades covered by negotiations. The CBU's claim was for a 15 per cent increase.

Midland Bank staff have bargained separately over pay with their employer since the bank opted out of the national federation last year. A 14-month settlement giving staff a 6.5 per cent rise from April 1 last year was produced by the first set of in-house negotiations.

Technicians accept

UNIVERSITY TECHNICIANS have voted two to one to accept a 5.5 per cent pay offer covering 14,000 technicians, backdated to last month.

Contracts and Tenders

Company Notices

Legal Notices

Company Notices

Company Announcements

Beware the simple solution


CAN AMERICA MAKE IT?

Guy de Jonquieres and **Anatole Kaletsky** assess the US response to the country's seriously outmoded manufacturing base

IT FIRST dawned on Bill Scollard, vice president of manufacturing at Ford, that there might be a better way to run the company's plants when he found himself in the late 1970s watching a television programme about Dr W. Edwards Deming, a veteran American expert on quality control.

Deming's teachings had been widely adopted by Japanese industry since the early 1950s. However, he was barely known in the US and, when Scollard invited him to come and explain his ideas to the motor group, they came as a revelation. In short, he convinced Ford that by using his techniques, the company could achieve what had once seemed the mutually exclusive goals of higher quality and lower costs.

Applying the Deming methods has been only one thrust of a wide-ranging campaign which Ford has waged since 1981 to up-date traditional manufacturing practices, from product design to final assembly. Though, by its own admission, it still has a long way to go, the results have already contributed to a dramatic improvement in its profits, which last year exceeded those of General Motors for the first time since 1924.

Across America, a growing number of other companies in a wide variety of industries are now also being driven to the same conclusion as Ford: that the production methods which they had blithely assumed to be the best in the world have, in reality, become one of their most serious competitive handicaps.

With hindsight, the warning signals had been flashing for years. In many companies, manufacturing began to be subordinated to the higher imperatives of financial management and marketing as long ago as the early 1960s. By the following decade, it had become tarred with a deeply unfashionable "smokestack" image.

"The mentality was that it was a service within a company — and not a highly regarded one at that," says Dale Compton of the National Academy of Engineering. In many industries, running production lines degenerated into a daily exercise in crisis management. One executive in a blue-chip company recalls that conditions at one of its plants reached the point five years ago where "if you said hello to someone they would all come out on strike".

It took the onslaught of Japanese competition and a much tougher financial climate to change US corporate thinking. Once they recognised that they had a problem, the immediate impulse of some larger companies was to push ahead with an audacious all-American solution.

It was to capitalise on US prowess in high-technology by going all-out to build the "factory of the future," in which fallible and expensive human labour would be replaced by rows of meticulously disciplined robots.

"High-tech to the rescue" became the rallying cry—and nobody chanted it louder than General Motors, the country's biggest manufacturing enterprise. Since 1980, GM has sunk $40bn into a massive effort to modernise or replace every one of its factories.

However, the programme has been dogged by setbacks. Teething troubles with complex computer systems resulted in robots spraying paint on each other and fitting components to the wrong cars.

Most frustrating of all, the productivity record of even the most lavishly-equipped of GM's new factories has been outshone by the New United Motor Manufacturing (Nummi) plant in California, a joint venture with Toyota, the Japanese motor group, which manages the operation. The key to Nummi's success lies not in high levels of automation but in Toyota's skilful organisation of the factory floor to maximise throughput, eliminate waste and enhance flexibility.

Roger Smith, GM's chairman, continues to insist that the company's investments will pay off in time. Conceding only that "the learning curve has been much longer than we expected," he says that "automation came along just in time to save us."

But many others now argue that staking everything on advanced automation is a poor bet, a product of what Fred Garry, vice president of manufacturing at General Electric, calls "our national tendency to look for simple answers, for messianic solutions." Says Bob Lutz, executive vice president of Chrysler, the third largest US motor group: "Technology and throwing money around is not the way out — it only makes the problem worse."

Many of the early automation initiatives involved another error: they focussed largely on cutting high labour costs, which US industry then thought were its principal handicap. However, even where such programmes have gone to plan, they have had only a marginal impact on competitiveness because direct labour accounts for only a small part of total manufacturing costs — about 15 per cent on average.

Furthermore, as GE and International Business Machines among others have learned, any labour savings gained from large-scale automation can be more than offset by huge increases in fixed capital costs and a higher breakeven point. As Lutz points out: "Even if your labour input is zero, the cost of capital can kill you."

Some manufacturing experts who earlier urged the US to fight the world with robots are now shifting their ground and arguing that automation is only one of many avenues to increased competitiveness.

The fashionable talk today is of "integrated" approaches and "total solutions" which stress simultaneous improvements in labour relations, factory lay-out, inventory control, product design and quality and subcontracting arrangements, all with a sharply critical eye on costs.

The new thinking has been inspired by closer study of what actually goes on in Japanese factories. While much of US manufacturing has long been based on the Taylorian model developed earlier this century which broke production down into many separate stages, the Japanese concept treats the process as one continuous stream, each part of which interacts with the others.

Few, if any, American companies are yet close to mastering the sophistication of the Japanese approach, according to Steve Walleck, a manufacturing expert with management consultants McKinsey. But some are starting to gain benefits by discovering previously unsuspected linkages between different phases of the production cycle.

At Ford, designers and production engineers now work together right from the outset to develop new models, while GM has adopted similar tactics for its new Beretta and Corsica compact cars, on which it is pinning many of its hopes of a revival. "In the old days there was a tendency for design engineers to finish their work and just throw it over the wall to the production guys," says Scollard.

Changing workflow patterns have also yielded positive results. By reorganising printed circuit board production at its Daytona, Florida, plant into stations which make one board at a time and introducing just-in-time systems, GE has slashed work in progress to one day from 23 days and raised the proportion of acceptable output from 82 per cent to 98 per cent. Similarly, Tandem, a leading maker of computers, has cut the cycle time at its California assembly plant from 20 weeks to two and a-half, and aims to be down to one week by later this year.

At many larger US companies a lot more effort is going into rationalising relationships with components suppliers and subcontractors. Instead of holding frequent Dutch auctions among numerous bidders and deciding purely on the basis of price, more companies are placing long-term contracts with smaller groups of suppliers and trying to involve them in their forward product plans. In return, suppliers are required to accept much greater responsibility for assuring the quality of the goods they deliver.

Steps such as these, coupled wih trimming administrative overheads, tighter capital budgeting, shedding marginal operations and introducing more flexible work practices on the factory floor have helped Detroit to shorten perceptibly what once seemed an impossibly big Japanese lead.

Independent surveys show that the quality levels of many American cars is now approaching—and in a few cases equalling—Japanese standards. Furthermore, the difference in the cost of producing small cars, which stood at $2,500 in 1981, has been cut to about $800 today.

Admittedly, two-thirds of this reduction is due to shifts in exchange rates. However, all Detroit's Big Three have further cost improvements planned. By using more advanced materials and pressing its suppliers to shoulder a bigger share of new product development costs, Chrysler expects to shave another $2,500 off the cost of building a car by 1991, while GM aims for a reduction of $1,800 by the end of 1989.

It remains to be seen, of course, how effectively such plans are put into action. Some of them involve further radical changes in work methods against strong union opposition.

Even those companies which are not burdened by a legacy of rigid industrial relations still face other hurdles:

● Lack of management information. According to Elizabeth Haas of McKinsey, many US companies still lack basic data about how their production costs break down, making it difficult to identify those pockets of inefficiency which require the most urgent attention. Furthermore, existing accounting conventions are poorly designed to evaluate proposals for investment in automation.

Dr Sonny Pierce, head of manufacturing and quality at GE Aero Engines, points out that many of the advantages gained from automation, such as reduced development time and technology leadership, are intangible and cannot be quantified. "What I have found is that where you're talking about something as risky as automation, you've just got to justify it on your previous track record," he says.

● Shortages of manufacturing expertise. One alarming measure of the problem is given in a study published late last year by Ramchandran Jaikumar of Harvard Business School.

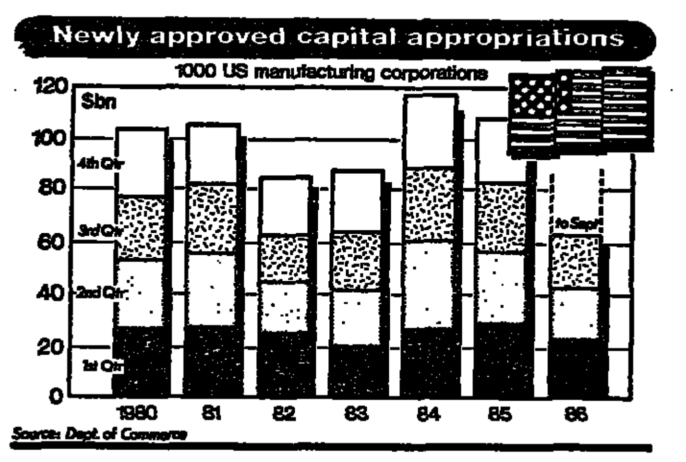
Comparing a total of 95 Japanese and US industrial companies, he found that the former employed in their factories four times more engineers and staff trained to operate computer-controlled machines than the latter. The Japanese also spent three times longer than the Americans teaching their staff new skills.

The industrial support infrastructure has also been depleted as recession and fiercer international competition have taken their toll of engineering subcontractors and suppliers of factory equipment, notably machine tools and textiles machinery (see below). Says Dr Robert White, president of the National Academy of Engineering: "There comes a point where you lose so much of your infrastructure that you lose the ability to compete because you no longer have the design and production capacity."

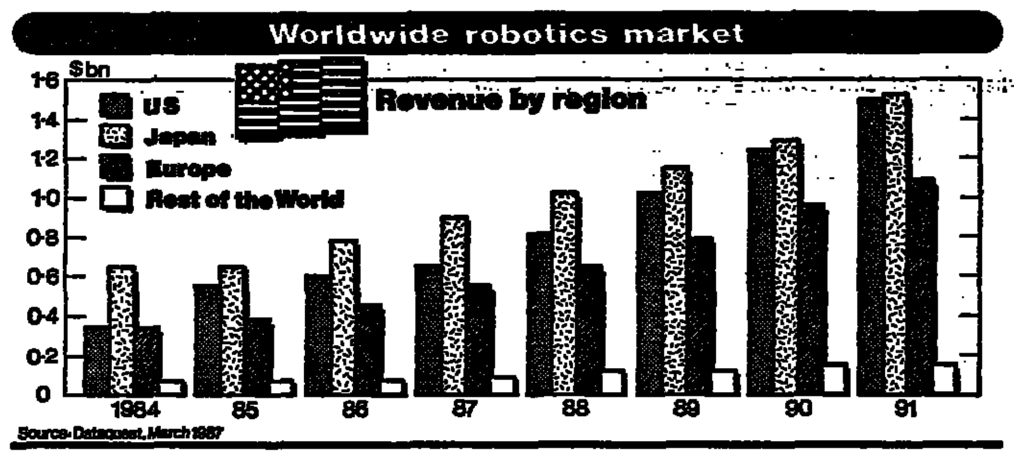
That point has almost certainly not been reached. But it is also unclear that the contraction of America's industrial base has yet been definitely halted.

Furthermore, even some more alert and energetic companies such as Ford and IBM are displaying caution about adding US production capacity, preferring to channel their efforts into increasing the efficiency of existing plants. An increasing number of economists is now forecasting that capital spending, which fell in real terms last year after two years of strong growth, will remain weak for some time to come.

While such uncertainties persist, it would be premature to conclude that the recent signs of a revival by US manufacturing industry amount to a renaissance.



Source: Dept. of Commerce



Source: Dataquest, March 1987

Machine tools highlight the decline

AS A case study in accelerated industrial decline and fall, US machine tool manufacturing has few equals.

In 1981, the industry was riding high on the back of a powerful surge of demand which pushed domestic sales to a record $5.4bn. But by 1983, sales had slumped to less than $2.5bn and the value of worldwide shipments by US manufacturers sank to below $2bn from $5bn two years earlier.

In the same period, imports, chiefly from Japan, West Germany and Taiwan, increased their share of the American market from less than a quarter to more than a third. By last year, market share for imports was nudging 50 per cent, prompting the Reagan Administration to slap on trade quotas on the grounds that preserving the indigenous industry was vital to national defence.

By then, however, more than 300 of the 800 American machine tool companies in existence in 1981 had been wiped out and employment in the industry had fallen from 110,000 to 70,000.

In a sense, the industry has been a victim of its own good fortune. Extensive retooling by automotive and civil aircraft manufacturers to produce more fuel-efficient model ranges after the second oil price shock in the late 1970s created a short-lived boom in orders, which stretched US machine tool manufacturers' capacity to the limit.

Faced with long waiting lists for deliveries, traditional customers in other industries increasingly turned to foreign suppliers. But when the boom abruptly gave way to recession in the early 1980s, American machine tool manufacturers began to find that much of their lost market share was gone for good.

Many customers had discovered that inexpensive Japanese machine tools, built to perform a range of standard operations, could meet their needs just as well as the more elaborate custom-made equipment in which American suppliers specialised. Japanese products might not last as long; but by the time they wore out they would probably have been rendered obsolete anyway by technological change.

Many of those left in the US machine tool industry concede today that it is paying the price for taking far too complacent an attitude towards the Japanese challenge.

"This industry had been surviving for generations with an approach which was steeped in tradition," says Donald Shiveley, executive vice-president of Cincinnati Milacron, a leading supplier. "The resistance to change was phenomenal."

This myopia was due partly to the industry's lack of exposure to developments on international markets. Many of its exports are still to US manufacturers operating in Canada and Mexico; relatively few suppliers have attempted seriously to build up strong positions in Western Europe, still less in Asia.

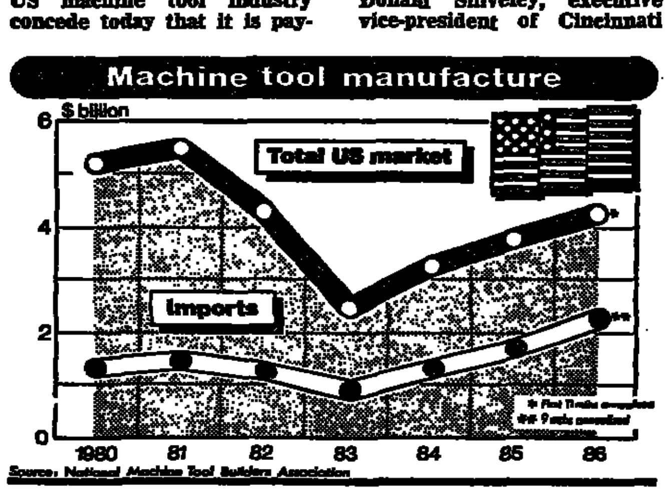
Some are now trying to fight back by launching low cost products which compete directly against cheaper imports—but with only limited success so far. Others, notably Cross and Trecker of Detroit, are seeking to consolidate their position by buying up smaller domestic competitors.

However, there is also a growing view in the industry that the advent of new materials and manufacturing technologies spells further steady decline for the classic machine tool business. "Industries are moving away from the idea of taking big chunks of steel and machining away scrap," according to Charles Ames, chairman of Acme-Cleveland.

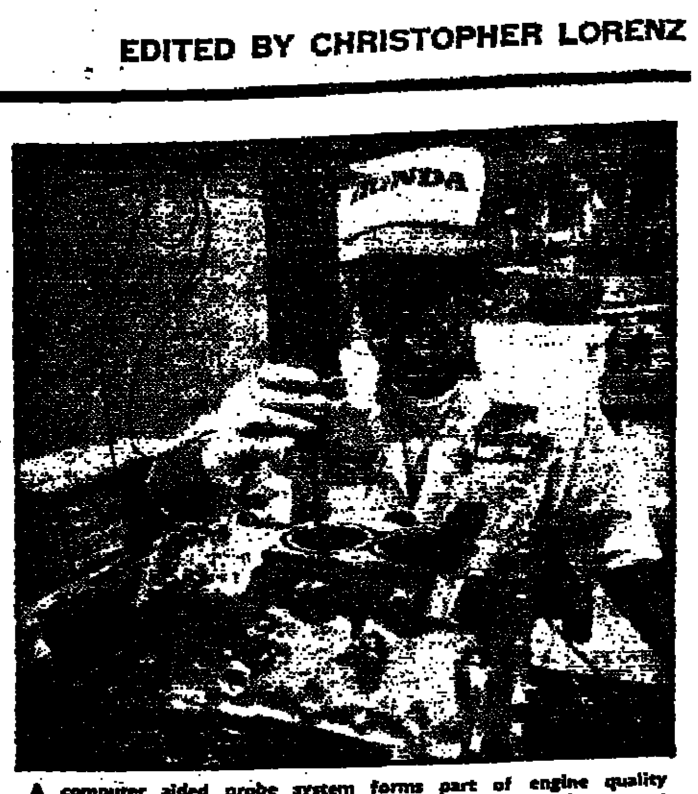
Acme-Cleveland's once flourishing machine tool business has been reduced to little more than a maintenance and service operation after a financial crisis a few years ago. Now the company is pinning its hopes for the future on diversification into sensors, telecommunications equipment and quality control systems.

Cincinnati Milacron has managed to restore its machine tool operations to profit, albeit only by dint of shrinking its workforce to 9,000 from 14,000 in 1980. It is concentrating its thrust on large, complex systems, a market which is still largely unscathed by import competition.

However, the company sees its fastest growth coming from expansion into areas including plastics machinery, computerised inspection systems, composite materials processing equipment and semi-conductor materials.



Source: National Machine Tool Builders Association


A computer aided probe system forms part of engine quality control at Honda, now reaping the reward of a major investment in the US

A foreign hand in the rebuilding

AS THE dollar falls and the protectionist barriers go up, America's industrial base is slowly being reconstructed. However, much of the rebuilding is being done by Japanese and European, not American, manufacturers.

Detailed statistics about direct investment and the return of manufacturing activities onshore by US companies have been much too slow in coming to reveal whether a change in trend has actually resulted from the dramatic improvement in America's relative costs since the dollar started falling two years ago. Thus the Commerce Department's latest figures, which cover 1985, show only a slight rise in the number of major inward investment transactions, from 907 in 1984 to 912 in 1985, a level still some 25 per cent below the peak of 1981. Even these outdated figures, however, indicate a near-doubling of Japanese investment, from 11 per cent of the total in 1981 to 24 per cent in 1985.

What is more significant is that for every piece of anecdotal evidence suggesting that US companies are reconsidering some of their decisions to move manufacturing offshore, there are several examples of foreign investors actually taking the plunge and starting or expanding their manufacturing operations on American soil.

Winfried Van't Hoff, executive vice president of North American Philips, notes that his company assembles more televisions in America than GE-RCA or Zenith, the two US brand leaders. And regardless of any tentative revival among US electronics manufacturers, the next stage in the industry's evolution is likely to bypass US-based companies entirely. Japanese and European companies may soon start US assembly of video cassette recorders and compact disc players, two technologies in which American manufacturers have never bothered to compete.

In one industry after another similar stories are being repeated. Direct investment, especially from Japan, comes as the culmination of a step-by-step process that goes from import penetration to market leadership and ultimately technological domination.

The motor industry provides the largest and most important example.

Today, some 7 per cent of the US market is supplied by cars built in America by Honda, Nissan and a Japanese controlled joint venture between Toyota and General Motors. Now all the lesser Japanese car makers have US factories under construction, so that by the early 1990s, Japanese "immigrants" or "transplants" are expected to number 1.5m annually, bringing the Japanese total share of the car market to 35 or even 40 per cent.

But when Japanese car makers started investing heavily in US manufacturing in the early 1980s, the dollar was rising towards its peak and US-based manufacturing seemed a hopeless proposition by any conventional financial standards. When Honda, whose Ohio plant now turns out more vehicles than any other factory in North America, first started producing cars in 1982, the decision "obviously didn't make economic sense," considering the prevailing exchange rates, says Susan Insley, vice president for corporate planning. It did, however, "make philosophical sense."

"When you begin to market products in a country and enjoy success," she says, "you should think about manufacturing there as soon as possible. We don't spend much time in this company discussing the bottom line; the profits will come in the end if you satisfy customers."

Now Honda is reaping these profits, with a rapidly growing share of the US car market from the 300,000 cars it makes annually in Ohio outside its import quota, and productivity levels which are only about 10 per cent behind Honda Japan, according to Ed Buker, production manager.

Marvin Runyon, the former Ford man who has been president of Nissan manufacturing from the earliest stages of site selection, says that his operation will start to make a profit this year, after a running-in period which started with truck production in 1983 and car assembly in March 1985. He maintains that the key to the plant's success has not been the exchange rate, but the ability to achieve Japanese productivity levels.

The next stage in the domestic production strategy, Runyon says, will be to increase the local content of the cars assembled in America. Nissan's total local content at the Smyrna plant at present is 60 per cent measured by ex-factory value. But only 37 per cent of the components bought in from outside parts suppliers are US-made. Honda's local content is currently around 45 per cent.

By 1990, Runyon expects to raise US-made components from 37 to 60 per cent, increasing the total content for a Smyrna-produced vehicle to around three-quarters. Honda has said that it will try to increase total local content from 45 to 66 per cent.

The US motor industry, however, is more intimidated than enthused by such promises, for what they intimate is a flood of inward investment by Japanese component manufacturers following on the coat-tails of the vehicle assemblers.

Both Honda and Nissan insist that, while their Japanese suppliers may follow them, they are eager to buy more components from American companies.

But Insley of Honda sounds an increasingly familiar note of warning: "American vendors are now doing well on quality and price. But there is a wide variety of parts we need for which the technology and design capability simply does not exist in the US."

THE MONDAY PAGE

The underclass most likely to be ignored

JOHN LLOYD

I HAPPEN to know one of the defendants in the recent "football violence" trial. William Lloyd George Reid is 25, well over 6 ft and black—one reason, he says, why he was hard to miss on the police videos of the Chelsea matches he attended faithfully and, he says, the real reason for his arrest.

The jury which tried him and nine others seemed to take his point: they convicted five and let four, including William, off. The day after his acquittal, a newspaper ran a story about him in which it quoted an unidentified police source as saying: "Violence was his middle name."

He is, for sure, no pacifist. He has been involved in what the TV news calls "clashes" on football terraces many a time. He describes them like semi-formalised jousts: both sides know fights are likely, they do not involve "civilians" and they are rough but not murderous. He gets a lot of racial abuse, especially when he travels north: "I never knew gorillas watched football," was an example from the Newcastle terraces.

One of the proposals his restlessly fertile mind has thrown up is the creation of battle parks for people like him, where they would do no harm to anyone but themselves. He believes in castration for rapists and (public) hanging for murderers. He says of the elderly white women who flinch from him when they encounter him on the south London streets—"I don't blame them. I wouldn't like it if I was them." He has taught himself to be a chef and has managed to hold down a cook's job in a London hospital.

William Lloyd George Reid is half in, half out of what is now called the underclass: a growing group defined (in the first place by the American writer Ken Auletta) as separated from the "overclasses" by a mixture of lack of work, lack of education, lack of literacy, lack of stable domestic circumstance, lack of money and lack of coping ability—defined, that is, by what they have not.

At the bottom end of it are the rotting, shameless drunks who beg for money so that they can continue to measure out their fantastic, half horrifying, half enviable, dog-like and free existences in bottles. At the other are people like William, at once predator and victim, part longing to be "inside" (judge what such longing his West Indian parents had — they gave him the middle names, not of violence, but of a famous British prime minister), part scornful of a routine or bourgeois existence.

This class is likely to be largely ignored during the election campaign because it has no real leverage over, or interest in, political life.

This is not a working class surging in to establish its place in national life: it is the debris left on the high-water mark. This class steals, lies, whines, riots, gets drunk, fiddles welfare, beats its kids and fills the magistrates' courts.

It is last in first out, swabs floors, scrapes grease, shovels dirt and waits at table. It is praised for its flexibility in the labour market and jailed for its outlawry in social life.

In the early years of the Thatcher government, it was a routine comment among activists in the labour movement that it was a wonder people didn't revolt against the growing unemployment which has so much augmented this underclass. Precisely the opposite was the case: it would have been a wonder if they had. Revolt has a purpose: the underclass has none but survival and dependence. The writer Jeremy Seabrook, who has written more and better on this subject than anyone else in Britain, has observed that this makes it conservative. Revolts are carried through by those who have a good sniff of power (or whose leaders have): it is permanently excluded from it.

The members of this class are thus voiceless in the current great debate. Labour has some connections with the underclass: but radical urban politics have tended to seek an alliance between elements of it and a much different set of people who choose to belong to a cultural underclass, defined as being excluded on grounds of sex or race or even political allegiance. It is a fractured and febrile world, with such figures as Linda Bellos, leader of Lambeth and Bernie Grant, leader of Haringey ,standing at its crossroads, both mediating between it and the official world, and using it for political advancement.

But at least they are connecting with it: the other parties choose only to throw electoral bones at it, while staying well clear lest its grubbiness stain their Burberrys. For in truth it seems there is no currently available nostrum for its condition.

Growth will not address it, because rising productivity in manufacturing means that success in the future in independent of, even inimical to, job creation: while services do not seem to be taking up the slack sufficiently.

The anathemas of Samuel Brittan be upon me if I subscribe to the lump of labour fallacy: but while I would like to believe, with him, that work can expand to accommodate the labour available, the burden of proof is on him, and the government, to show it can do so in practice.

...And the tricklings down from the rich are pretty thin by the time they reach the underclass. Increasingly, the wealthy and well salaried are serviced by a class which is itself doing quite nicely. The marvellous woman who does one's face has a husband who is an accountant: the little man who put in the cupboards is buying rundown properties for improvement and resale.

The excluded mass, whose citizenship is practically confined to the brusque and arbitrary servicing of their needs, has somehow to be dramatised effectively before an indifferent majority "audience." Not by being consigned to be the stuff of the modern day equivalents of Victorian chillers, as William Lloyd George Reid discovered had happened to him. This is not beyond the reach of a mixture of voluntary and public endeavour.

It is a malign effect of our democratic system that this minority may be permanently excluded from possessing a voice. Addressing that malignity is the most urgent realignment around.

INTERVIEW

A hawk's dove

Andrew Whitley talks to Israel's Defence Minister Yitzhak Rabin

IT WAS the day after the Israeli Cabinet had ended—in deadlock — a bitter debate over the latest Middle East peace plan. The mood in the Defence Ministry, a sprawling complex in the heart of Tel Aviv, was sombre. A fleeting oportunity had presented itself for talks with the elusive King Hussein of Jordan, a chance for Israel to wash its hands of the Palestinian question. But the obstinancy of the right-wing Likud bloc had put a dampener on those briefly raised hopes.

Along the corridor, the US ambassador, Mr Thomas Pickering, was just finishing his early morning briefing with the Defence Minister. What Mr Yitzhak Rabin had to say about the state of disarray within the coalition government, and where this left the American-brokered framework for an agreement reached by the Israeli Labour Party in secret talks last month with the Jordanian monarch, would be crucial to the ambassador's telegram that day to Secretary of State Mr George Shultz in Washington.

In short, it was not a good time to try to get Mr Rabin to unwind. But most Israeli politicians have a keen sense of the importance of expressing their point of view and the veteran Defence Minister and former Prime Minister was no exception.

The hectic day's schedule was hastily rearranged and Mr Rabin, unusually elegant for an Israeli politician, in a sober grew suit, settled back in an armchair in his large airy office to talk. Or, rather, to expound his views. A soldier for 27 years—from youthful commander in the Palmah, a pre-independence fighting force, to Chief of Staff during the triumphant Six-Day War of June, 1967—the minister has come to develop certain unshakeable opinions about the achievement of peace through strength.

"I have never believed that an Arab leader will change his basic attitude of hostility to Israel, unless he reaches a point when he realises that through war or terror he will achieve nothing," he said; the familiar, gravelly voice sounded even deeper close up. The Chief Censor, grey moustache twitching, took copious notes.

Rabin confirmed publicly, for the first time, that a preliminary agreement had been reached with King Hussein on Israeli withdrawal from those parts of the West Bank not considered vital for Israel's defence.

But in contrast to Western Europe, where international frontiers need no longer have strategic significance, he said Israel could "under no circumstances" return to its pre-1967 borders. His voice rose in emphasis of the point, his finger stabbing the air.

Unlike Likud, the Labour Party is ready for territorial compromise, he said. But no concessions could be made over the retention of the reunited city of Jerusalem as the Israeli capital and the maintenance of the Jordan River as a natural line of defence. "On these two vital points I cannot see anyone giving in."

Much scepticism has been expressed in Israel over exactly how much substance lies behind Labour leader Mr Shimon Peres's personal style of peace diplomacy.

It was all the more important, then, to get the rassurances of the sound, unexcitable Mr Rabin that concrete progress had indeed been made. Choosing his words with care, the Defence Minister said: "I believe there is a basis, though not a final structure, today for a dialogue with Jordan within the framework of an international peace conference."

Visibly downcast by the rancorous stalemate in the evenly divided government, he went on: "The country was on the verge of a decision . . . It's very difficult to be a party to a government that misses this opportunity." The way to tackle the problem, he said, was to have early elections, but they are not due before October 1988.

However small the current opportunity, it was a chance which had to be seized, he said. "I believe, in the Middle East, whenever you don't exploit even the slightest opening it is a mistake."

Citing the 1979 peace agreement with Egypt as a durable, viable reality which could serve as an example to other Arab countries, he was in no doubt that it was no Pauline conversion on the road to Damascus which had brought the late President Anwar Sadat on his historic mission to Jerusalem 10 years ago. It was enlightened national self-interest.

But what had happened to that "wise and courageous" leader? It is true, he admitted, that no Arab leader—from King Abdullah of Transjordan (shot in Jerusalem, July 1951) to Lebanese president-elect Bashir Gemayel (blown-up by a car bomb in Beirut, September 1982)—who had tried to make peace with Israel had ended his life in his bed.

Rewarded with the defence portfolio in the National Unity Government formed between Labour and Likud in September 1984, Mr Rabin has evidently enjoyed the free hand he has had over the past 2½ years. Apart from responsibility for the armed forces, he has been viceroy of the West Bank and Gaza Strip and the ultimate overseer of Israel's huge defence industry.

While his party chairman and long-standing rival, Mr Shimon Peres, and Mr Yitzhak Shamir, the Likud chief, locked horns, he remained virtually relieved of party political considerations. Taking a characteristic "no nonsense" approach to administering the occupied territories, it was no surprise that he used to be described as the Likud's favourite Labour minister. Together with Mr Peres and Mr Shamir, the introspective man —who always scores well in Israel's frequent popularity polls—formed the third leg of an informal triumvirate. the "Prime Minister's Club," as it was sarcastically dubbed by the Israeli press, used to close ranks across the wide party gulf whenever one of its members came under attack—as frequently occurred during the past year's spate of security scandals.

But the past tense is necessary because in recent weeks, Mr Rabin has swung away from the middle road he had held to since 1984. He had played a pivotal role, as infighting built up, giving invaluable political back to Mr Peres. The importance of the favour should not be lost on the Labour leader in the light of past personal animosity between the two men.

Joining opposing wings of what later became today's Labour Alignment party, in the 1970s they fought two closely-contested internal elections to become party chairman. On both occasions it was the almost apolitical former soldier with the distinguished war record, rather than the back-room political machine man, who came out on top.

Appointed Prime Minister in June 1974, after the disastrous Yom Kippur War had destroyed the administration of Mrs Golda Meir Mr Rabin became the first Sabra, native-born Israeli, to head a government. His three-year term in office—which ended with Labour losing power for the first time to the Likud under the charismatic Mr Menachem Begin — was not a happy period.

After his ignominious fall in 1977, brought down by an apparently minor infraction over an undeclared US bank account, Mr Rabin and Labour went into a seven-year political wilderness. But his ambition to lead the country again appears only marginally diminished.

Frustrated by the Byzantine nature of Israeli politics, Mr Rabin has been concentrating on reorganising Israel's ground forces in the light of the lessons learned during the three-year Lebanon War. At the same time, he has had to implement a 20 per cent cut in the defence budget, a painful task.

What gave Israel the breathing space i tneeded was a temporary reduction in the threat from its encircling Arab enemies, provided by the peace treaty with Egypt and the protracted Iran-Iraq war. "We were lucky," Rabin volunteered.

The task ahead, he said, was to expand "the peace process" to Jordan. Astutely, Mr Peres brought his tough Defence Minister into the talks he held in London with King Hussein. This meeting provided the potentially historic breakthrough which Labour is so anxious to exploit.

Israel has always pushed for separate peace treaties with its Arab neighbours, to break up the alliance of enemy forces which it most fears. So when Israeli politicians talk, as Mr Rabin did, of "extending the peace process to the eastern front" what they really mean is "breaking up that potential coalition." (The Arabs, predictably, take the opposing view, insisting on comprehensive, all-embracing — though maybe unrealistic — solutions.)

The other day, Mr Rabin was refrehingly direct: "If Jordan joins the peace, it will isolate Syria. It will eliminate even the slightest hope, that the craziest of Arab leaders might have, that war can be waged against Israel."

Brighter prospects of peace notwithstanding, the Defence Minister foresaw little chance that the heavy burden of keeping a large standing army permanently in the field could be reduced, despite all the implications that judgement has for the palsied economy.

"There is no doubt that in the Middle East for the coming generation the peace will be fragile," he said. "The only guarantee for a peace enshrined in an international agreement is that the one side which tries to violate it has to bear in mind that he might pay."

Mr Rabin brushes aside questions about his legacy and his achievements, notable though they have been for Israel. "I had the unique luck to belong to this generation of the Jewish people, to whom divine history gave the chance to be masters of their own destiny."

Personal file

1922 Born Jerusalem. Educated Kadoorie Agricultural School, staff college, UK.

1948 Commander in Jewish nationalist forces in crucial battle for Jerusalem during War of Independence. Marries fellow Palmah fighter, Layah.

1956 Northern front army commander (to 1959) during Suez war.

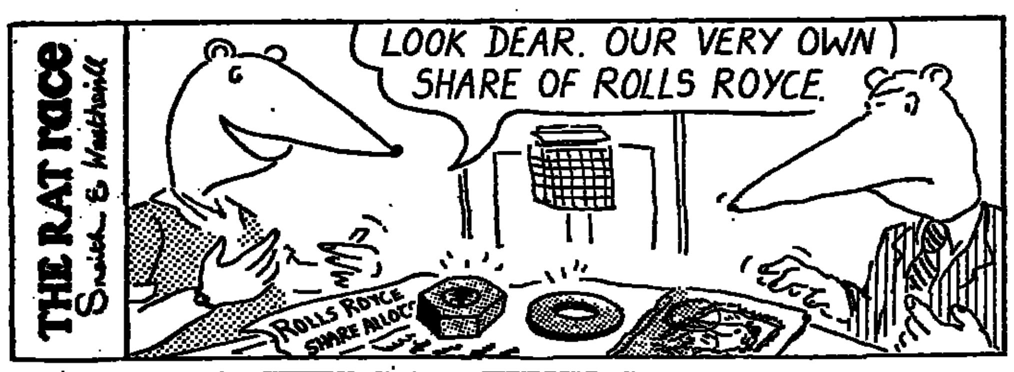
1967 Chief of Staff, Israel defence forces, during Six-day war.

1968 Appointed ambassador to Washington.

1974 Defeats Shimon Peres in election to succeed Golda Meir as Labour party leader; becomes Prime Minister.

1977 Announces resignation from party leadership and premiership.

1984 Appointed Defence Minister in National Unity government.



Tenants should help themselves

JUSTINIAN

SHOULD A tenant who improves the property which he occupies for either business or residential purposes be reimbursed for the cost of the improvement when the tenancy comes to an end, on the basis that his landlord is getting back his property in a far better condition than when the tenancy began? That is the question to which the Law Commission is seeking answers to in a consultative paper published last week.*

The present law provides — and has done so since 1927 — for a statutory scheme for business tenants, but it is infrequently resorted to. Those who rent their homes on the other hand possess no statutory rights of compensation.

The Law Commission thinks that that should remain the case, primarily because tenants of residential premises are heavily protected from removal by their landlords, and the liability of local housing authorities to pay compensation would distort the system of public expenditure on housing.

However, the business tenant, the Law Commission thinks, should not lose the established statutory rights of compensation. The reasons given provisionally by the Law Commission for this discrimination is that the law, while its procedures need tidying up and even a little pruning, encourages business efficiency.

The Law Commission identifies two principal justifications for statutory schemes giving tenants a right to claim compensation from their landlords for the improvements they make to the premises. First, the improvement made and paid for out of the tenant's pocket gives the landlord "an unexpected, and perhaps unjustified benefit."

But is it the case that on the surrender or termination of the lease that the landlord gets a windfall if his property reverts to him in an enhanced condition? It is not like the case of the car owner who recovers his stolen vehicle from a thief who has mechanically and cosmetically improved the vehicle while out of the owner's possession. A landlord who lets his property will doubtless have mad esome assessment.

Normally the law will provide that the tenant is bound to keep the property in a state of repair, so that the bottom line of the tenant's legal liability is to look after the property properly. In the process the tenant is likely to expend money beyond what is his strict liability. A landlord can expect therefore to receive some benefit. But the fact that it is expected should not mean that the landlord should not pay for that expectation. Just as the tenant pays for this repair, so a landlord should pay for any enhancement in the value of the property due to the tenant's action.

The second justification for a scheme of compensation is the public interest in the improvement of property.

The suggestion that residential tenants should be compensated is not new. It was recommended in 1950 by the Jenkins Committee on leaseholds and the possibility was again canvassed in 1970 by the Law Commission's own working party on Landlord and Tenant. Both bodies thought that a right to compensation for improvements, approved by the courts, might prolong the life of some privately-rented accommodation which would otherwise deteriorate. Tenants, therefore, should be encouraged to do work on their properties, such encouragement being fostered by the prospect of reimbursement.

Since then local authorities and other landlords of secure tenants have become empowered, but not obliged under the Housing Acts of 1980 and 1985, to reimburse monies to tenants who have made improvements for which consent was, or was deemed to be, given. Thus Parliament has recently decided on the extent of local authorities' expenditure on the cost of tenants' improvements. For private landlords there is the example of voluntary payments or incorporation in leases.

If that is the correct position for housing, why should there be any different rule for business property? The mere existence for 60 years of a statutory scheme is insufficient grounds for continuing a right which is sparingly used and which is cumbersome in its procedure. Since 1954 the statutory right to renew tenancies of business premises has materially changed. A tenant who wishes to remain in possession after the expiry of his lease will ordinarily be able to obtain a new tenancy. The renewal can properly take into account the state of the property, including any improvements made by the tenant.

The Law Commission recognises that the case for a compensation scheme is now much less strong than it was when first introduced.

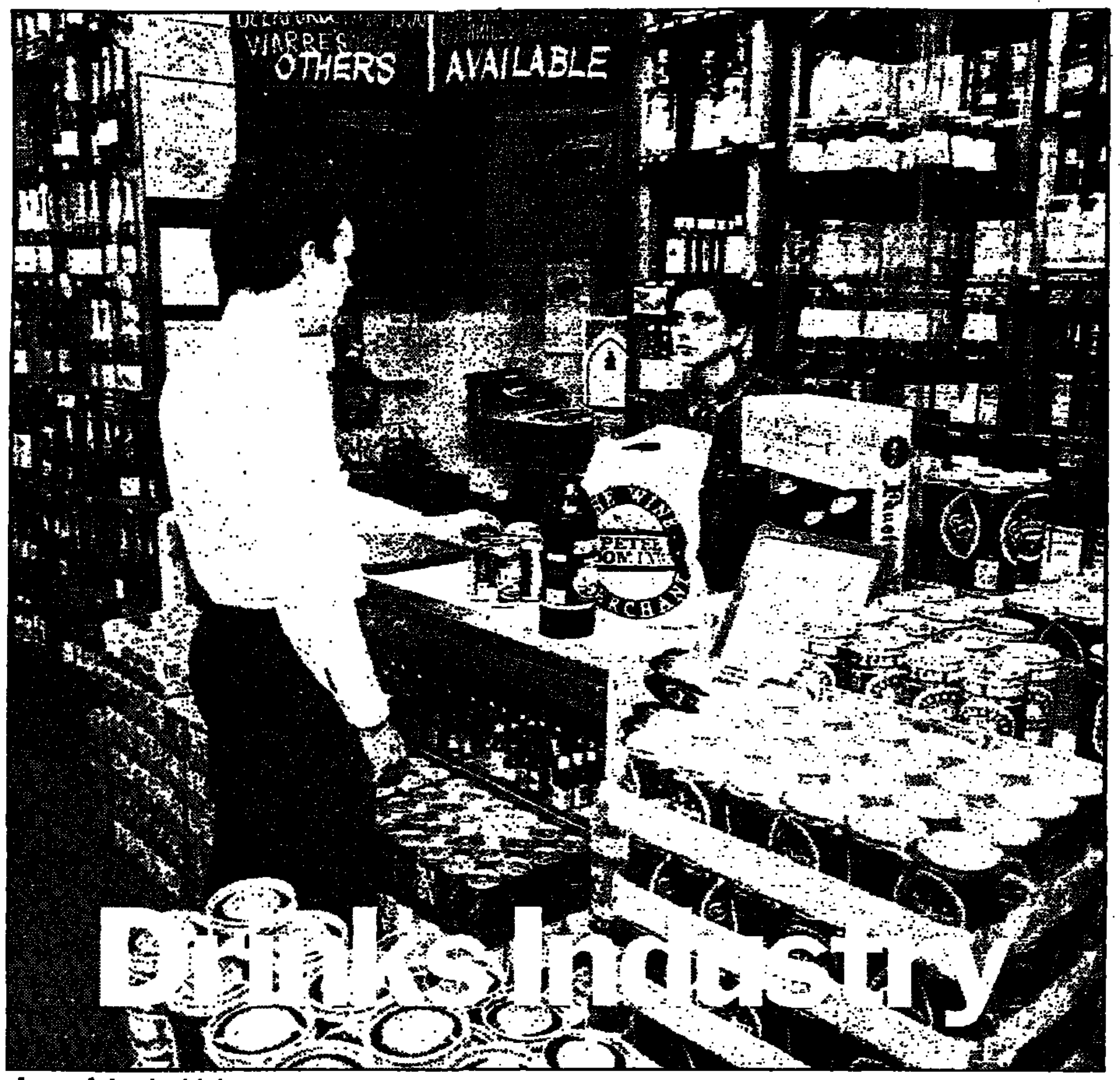
The Law Commission observes that in the absence of a statutory scheme of compensation individual landlords and individual tenants should be encouraged to agree on payment to tenants for significant improvements to the property; there should be no question of the law banning such arrangements. In an age of increasing self help that seems to be the most likely approach of those involved in law reform.

* *Law Commission, Working Paper No. 102, Landlord and Tenant: Compensation for Tenants' Improvements, HMSO, £3.60.*

FINANCIAL TIMES SURVEY

The marketplace is already looking very different for the drinks industry as a result of some spectacular takeovers and mergers. This year is likely to witness more far-reaching changes, particularly in the running of traditional British pubs, if radical easing of licensing laws takes place. **Lisa Wood** sets the scene

Ferment in the marketplace



A year of changing labels

THE EXTRAVAGANT images of itself with which the drinks industry seeks to promote its products have barely matched the reality in the past year.

By any standards a mature sector with relatively little growth to look forward to in its domestic market, the industry has, nevertheless, been convulsed by a series of bids and mergers and by speculation of more to come.

One such bid—Guinness's white knight rescue of Distillers from the unwelcome embrace of the Argyll Group, the supermarkets and drinks group—has rebounded with a vengeance not just on the leading personalities at the Anglo-Irish stout giant, including its previously much vaunted chairman, Mr Ernest Saunders, but on the City of London itself, calling into question the ways in which leading financial institutions and their top staff operated.

The previously quiet waters of the domestic UK brewing scene have also been thrown into turmoil by the arrival of controversial new faces, including John Elliott of Elders IXL, the Australian brewing, pastoral and financial services group which forced one of three big brewers, Allied Lyons, to fight every inch to retain its independence Elders eventually settled for a consolation prize in the form of Courage.

This itself had been one of the assets picked up in another bitterly contested takeover—Lord Hanson's acquisition, against opposition from United Biscuits, of the once mighty Imperial Group.

All the while, other manoeuvrings have taken place in other sectors of the market. Allied Lyons and Whitbread last May merged their light wines and wholesaling businesses in the UK and Europe while in the soft drinks sector two new alliances have been formed.

Last year, for example, Coca Cola, the world's biggest soft drinks company, merged its UK business with that of Cadbury Schweppes, one of the leading British operators in this field.

In the background the Monopolies and Mergers Commission's two year inquiry into the uniquely British tied house system, whereby brewers between them control the vast majority of the outlets for their products, is also likely to have far reaching consequences as too could a decision after the election to offer significant liberalisation of licensing laws.

The need to achieve a greater, and, in some cases, an international, scale of operations is perhaps the primary reason for the merger boom, which has also included Allied Lyons 51 per cent purchase of Hiram Walker's liquor division, and the similar acquisition by Grand Metropolitan for $1.2bn of Heublein, the US drinks group. It is an activity, too, which is likely to continue in the foreseeable future, according to some observers.

Companies yet to show their hand in the big corporate stakes include the Bond Corporation of Australia. It was rumoured in the City last year that Bond, which owns the Castlemaine lager brand, would like to acquire a British brewer.

Seagram, the Canadian drinks company which has been building its UK business, Suntory, the Japanese drinks business, and Anheuser Busch, the biggest brewer in the US with its Budweiser brand have also been keeping a low profile.

The importance of scale has to be seen against a background of little real overall growth in UK and world markets. There are opportunities, however, for those businesses which are able to develop strong brands, to achieve economies and identify growth sectors within the market.

Mr Elliott's ambition, for example, is for his Fosters lager to join the small band of international lager brands, a feat no UK brewer has managed to date. Watneys held the UK licence to brew Fosters but an agreement has now been reached whereby Courage as well will also be brewing the band for its own outlets.

Ownership of liquor brands, which command higher prices than generic labels, can, too, offer large profits without the need for substantial capial investment so the net cash flow is large.

Mr Ernest Saunders, the sacked chief executive of Guinness, placed great emphasis on ownership of strong brands during his bids for Arthur Bell, the Scotch whisky producer in 1985 and Distillers in 1986. The new group these mergers have created now brings together such famous names as Johnnie Walker and Bells and Gordon's gin.

Sir Derrick Holden-Brown, chairman of Allied Lyons, frankly admits, too, that had the stake in Hiram Walker, with its international brands, not presented itself, Allied in the future could have considered selling its wine and spirits activities, and following its Guinness disappointment Argyll proceeded to dispose of drinks interests in both the UK and US, claiming that from its modest base it was no longer practicable to establish a major international drinks business at an acceptable cost.

The same considerations have applied to the soft drinks sector where alongside the merged UK operations of Coca Cola and Cadbury Schweppes a second force also appeared last year with the formation of Britvic Corona.

This combine which acquired the soft drinks activities of Beecham the pharmaceuticals and consumer products group also holds the franchise for Pepsi Cola and Seven-Up.

Similar links again aimed at strengthening the marketing muscle and international competitiveness of their operations have been taking place among the big suppliers in the light wines sector. Allied Lyons and Whitbread, two of Britain's biggest drinks companies last May put together their light wines and wholesaling businesses in the UK and Europe in the biggest merger of its kind between competing brewers.

The move is in part a response to the strong price pressures placed on the light wine market in particular by supermarkets, notably J. Sainsbury and Tesco. It is estimated that off-sales account for about 70 per cent of UK table wine sales with the multiple grocers commanding more than 50 per cent of this.

Perhaps the greatest uncertainty currently overhanging the British drinks industry, however, concerns the future of the brewers' tied estates, currently the subject of a two year inquiry by the Monopolies and Mergers Commission which is looking into whether or not it restricts consumer choice and has an effect on prices.

Major brewers in Britain owning their own public houses, are Bass, Allied Lyons, Grand Metropolitan, Courage, Scottish & Newcastle Breweries and Whitbread, leaving Guinness, as the only big producer relying entirely on other brewers' outlets. In addition there are more than 60 regional brewers, most of them with houses of their own.

Ahead of the MMC report consideration is already being given both within and outside the brewing industry to new ways of utilising the asset base which the tied estates represent. Public houses have, for example, been seen as attractive retail outlets — so much so that it is understood that several non-drinks businesses are actively putting their slide rules over brewers vulnerable to bids.

In addition Elders IXL has recently revealed radical plans to float off its Courage tied public houses into a property company and offer shares to the public.

The proposal would be for Elders IXL to only hold up to one-third of the Property Company's equity. Whether or not Elders could still guarantee that the public houses would still sell its Courage beers is under examination by Elders.

For the future, profit growth within the sector seems likely to depend heavily on the continued investments being made by brewers in better facilities within pubs and from the efforts made to diversify into areas such as catering.

Many of Britain's brewers are now substantial restaurant operators. Bass, Britain's biggest brewer, and Whitbread, the third biggest, are particularly strong players while Whitbread claims that its Beefeater chain is the most profitable restaurant chain in Europe.

Other forms of diversification are also being implemented. Most recently Bass made an agreed £90m bid for Horizon, Britain's third biggest air holiday and travel operator. It is a strategy adopted by many of the major brewers and some regionally based ones.

At the same time the industry is hoping for a boost for its core drinks business from a relaxation of licensing hours. Such a move appears to have the support of all three major political parties but opposition from other quarters is likely to remain considerable.

It is a controversy that has waxed and waned for more than two years with proponents of such a move citing the Scottish experience. In Scotland, it is claimed, flexible licensing hours has not led to increased drinking by the population as a whole and the number of drink-driving offences has fallen.

At the same time there is a powerful anti-alcohol lobby, including the British Medical Association, which would probably oppose any move towards more flexible hours.

If licensing hours are relaxed brewers are already well prepared to grasp the opportunities. It could, however, be a very much changed marketplace if the Monopolies and Mergers Commission makes radical recommendations on ownership and control of the traditional British pub.

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The brewers

Radical changes on the way

THE STATUS QUO of the British brewing industry has come up for scrutiny and assault in the last 12 months.

On the one hand, the Monopolies and Mergers Commission has instigated a major review of the industry with particular attention on the tied estate, the system unique to Britain whereby the majority of brewers sell most of their beers. At issue is whether or not the system has an adverse effect on competition and consumer choice.

On the other hand, Elders IXL, the Australian brewing, pastoral and financial services group, has emerged as a controversial new competitor in the industry. Elders IXL, the first foreign-owned group to take a sizeable stake in the industry, last year made a £1.4bn purchase of Courage, Britain's sixth biggest brewer, from Hanson Trust, which itself acquired Courage from the Imperial Group.

While these two events are unrelated their effect has been to provoke a lively debate on the development of the industry.

At the time of Elders IXL's acquisition of Courage observers in the industry commented that Mr John Elliott, of Elders IXL, was the type of operator who, rather than defend the tied estate, would be more interested in such change as would enable him to have the opportunity to sell his Fosters brands in other companies' public houses.

At present the tied house system enables brewers who own their own public houses to guarantee the sales of their own beers in those outlets. In some circumstances reciprocal deals enable one brewer's brands to be sold in another brewer's public houses.

In fact Mr Elliott's Fosters brand was brewed in the UK under licence by Watney Mann & Truman. In a complicated deal struck earlier this month Grand Met's exclusive rights to brew Fosters in the UK ended and Courage will now share the UK rights to the brand in its draught form.

More far-reaching however has been Mr Elliott's controversial plan to spin off its countrywide chain of 5,000 Courage public houses.

The scheme, one of the biggest share sales outside the Government's privatisation programme, would involve a public flotation of the public houses in which Elders could retain a stake of about one third.

The sale would represent a radical break with tradition in British brewing. However, Elders IXL has said that the proposed move has nothing to do with the tie or any possibility that it might be relaxed.

Mr Stuart Kelso, of Elders IXL, said "Our management philosophy is not to have money tied up in property when there are alternative ways of investing it."

During its abortive bid for Allied Lyons, the UK food and drinks company, Elders IXL had in fact suggested that tenants might be allowed to take an equity stake of up to 50 per cent in their public houses.

However, the scheme proved more difficult to implement than originally envisaged, hence the proposal to place the public houses in a property company and float them off.

The recent proposal, on which no final decision has been taken, has provoked widespread scepticism in the brewing industry on both the grounds of Elders IXL's optimism over how much money could be raised by the flotation and also on the workings of the tie.

Elders appears confident that it would be able to continue to sell Courage beers, which include John Smiths and Hofmeister, in the public houses after flotation.

Whatever the outcome of Elders' deliberations the proposal has provoked debate in an industry where much higher returns on capital are made from wholesaling beer than on property assets.

Mr Elliott has also made much play of his ambitions for Fosters in a marketplace which increasingly recognises the importance of brands.

The attention being focused by UK brewers on their lager brands reflects the keen competition in the UK marketplace. While lager represents about 43 per cent of the beer market some 60 per cent of beer advertising is devoted to lager.

Lager is cheaper to produce than beer but commands higher retail prices and attention to developing the product has been one method by which UK brewers have striven to improve their profit margins at a time of declining overall beer sales.

However, the attention of the Monopolies and Mergers Commission has sharpened that focus. It has been suggested by some analysts and some members of the industry that relaxation of the tie could result in the stronger lager brands, brewed by the major brewers, taking even greater market share. Smaller brewers, with weaker lager brands, it is argued, could ultimately be forced to abandon their brands.

Such a development, it is argued, would reduce consumer choice. But, one of the preoccupations of the current MMC inquiry is whether or not the tied house system reduces consumer choice.

The MMC will decide by this summer whether or not the industry has a complex monopoly—where more than one brewer has a significant share of the market. The industry will then have the opportunity to state its case.

At present the industry is reluctant to discuss publicly those areas being investigated by the MMC. Sir Gordon Borrie, director general of Fair Trading, who made the reference to the *MMC* is particularly concerned about the tied system, its effect on competition and consumer choice.

The brewers had tried to persuade the Office of Fair Trading that further investigation was unnecessary. A Monopolies Commission report on the industry in 1969 said it preferred a system in which brewers did not own their own outlets. But it made no recommendation to abolish the tied system.

While many in the industry are confident that no recommendations will be made to relax the tie, privately there are qualms.

The information sought by the MMC of brewers in an 84-page document was deeply searching. Questions ranged from returns on tobacco sales since 1983 to prices of hops over the same period.

It is that information that is being sifted by the MMC before making any decision.

Lisa Wood

UK alcohol consumption

	1981	1982	1983	1984	1985	Average	Unit per head
Beers	111.4	109.5	110.5	110.1	108.9	110.1	litres
Wines	8.6	8.7	9.5	10.4	10.9	9.6	litres
Spirits	1.7	1.6	1.6	1.6	1.7	1.6	l/alcohol
ALL	6.8	6.6	6.8	6.9	7.1	6.8	l/alcohol

Sources: HM Customs & Excise, Central Statistical Office, Produktschap voor Gedistilleerde Dranken

UK alcohol consumption compared

	UK	West Germany	Denmark	Belgium	Netherlands	Eire	UK ranking EEC	UK ranking World
1980								
Beers	117.1	145.7	121.5	131.3	86.4	121.81	5/9	10/49
Wines	8.1	25.6	14.0	20.6	12.8	4.51	8/9	31/48
Spirits	1.8	3.1	1.5	2.4	2.7	2.01	8/9	28/38
All	7.1	12.7	9.2	10.8	8.8	7.51	9/9	25/50
1985								
Beers	108.9	145.5	121.3	121.0	84.5	100.01	5/12	10/48
Wines	10.9	25.6	20.7	22.7	15.0	3.51	11/12	28/46
Spirits	1.7	2.4	1.6	2.1	2.2	1.81	9/12	24/33
All	7.1	10.8	9.9	10.5	8.5	6.21	11/12	23/48

Sources: HM Customs and Excise; Central Statistical Office; Produktschap voor Gedistilleerde Dranken.

Pubs and restaurants now have wider freedom to serve drinks with food

Licensing hours

Support for flexi-time

THE BIGGEST change in licensing laws in England and Wales for 70 years took place earlier this month—but the drinks industry is still hoping that the next government will press ahead with a full liberalisation of the law governing when people can drink.

The change that took place on May 2 was the enactment of the Licensing (Restaurant Meals) Act 1987. This means that genuine restaurants can now serve alcohol with food during the afternoon "dry" periods—from 3 to 5.30 pm on weekdays and Saturdays (and from 2 to 7pm on Sundays).

The legal change automatically applies to those restaurants which have the so-called "supper licence," since they have already been declared a genuine restaurant by local magistrates. However, restaurants—including those attached to hotels, public houses, or private members clubs—which do not have a supper licence can apply to the magistrates court in the normal way for an afternoon licence to serve drinks with food.

This reform in the law was a result of lobbying by the Restaurateurs Association of Great Britain. Mr Roy Ackerman, chairman of the association and deputy chairman of the Kennedy Brookes restaurant group, say that "the relaxation in the law heralds an exciting new chapter in restaurant and licensing history."

The change in the laws is expected to be particularly useful in tourist areas and at the weekends, where demand for more flexible eating and drinking hours is at a premium. But away from these areas and times, many restaurants may decide not to take advantage of the new law because of the extra staff required.

This month's change is seen as potentially the first step to a complete overhaul of licensing law which, in England and Wales, is stricter than almost anywhere else outside the Moslem world.

Laws governing the sale of drink in England and Wales have their origins almost five centuries ago. In 1495, Henry VII empowered justices to close certain ale-houses and take sureties from ale-house keepers. It was apparently part of a campaign to encourage archery rather than loitering in ale-houses.

The present pattern of licensing laws in England and Wales developed under the emergency powers of the First World War, and were consolidated in the Licensing Act of 1921. This introduced the principle of permitted hours—a concept which empowered local magistrates to set the times when drink could be sold.

The general hours of drinking were modified to their present form with the Licensing Act of 1961 and consolidated in an Act of 1964. However, the position varies considerably across the country, and further complexities are created by special hours licences and extensions.

In Scotland, laws enacted in 1976 allow greater flexibility. Pubs are allowed to stay open much longer than previously, depending on customer's needs and the suitability of the premises.

In Wales, moreover, Sunday opening for pubs is determined in each district every seven years.

The last major attempt to reform the basic licensing laws in England and Wales was in 1972, when a Home Office committee headed by Lord Erroll unanimously proposed that pubs should be allowed to open from 10 am to midnight, and restaurants and cafes should be allowed to sell alcohol regardless of the sort of meal service they provided.

However, the Erroll report was opposed by the well-organised lobby against liberalising the licensing laws, composed of religious, temperance, and health groups.

One major objection to extending drinking hours is that it would increase alcohol abuse, especially among young people. Yet in Scotland this does not appear to have been the case, where lower levels of drunkenness have been recorded.

A Brewers' Society survey, moreover, found that consumers in Scotland considered the drinking hours more civilised, made pubs more appealing, encouraged them to provide more food, and made them more suitable for women.

The flexible hours in Scotland have also led to pubs taking on more staff to cope with extra demand.

Pressure for reform in England and Wales has grown in recent years, aided by a lobbying group comprising the licensed trade, consumer groups, tourist boards, and hotels. This group — called the Flexible Hours Action Group (Flag) — has been seeking consensus about what type of changes should be introduced.

The most widely-accepted type of reform is a flexible system based on the Scottish model, enabling individual on-licences to vary their hours up to a maximum of 12 hours between 10 am and 12 midnight.

Hopes of such a reform in the law, however, received a setback when the Government failed last year in its attempts to liberalise shop opening hours to pave the way for Sunday trading. Although the Goverment made clear its desire to see licensing laws reformed, it realised it would stand little chance of achieving this during the present parliament.

A private members Bill in the Commons earlier this month — introduced by Mr Allen Stewart, a Conservative MP — was "talked out" by opponents of reform.

What the drinks industry is now hoping for is a firm commitment from all political parties to tackle the question of reform as an early priority in the next parliament. Depending on the outcome of the General Election, this month's change to allow drinking in the afternoon in restaurants may only be a foretaste of wholesale changes to come.

David Churchill

Brewing technology

New developments hold down costs

MORE THAN enough brewing capacity now exists to cater for demand in the foreseeable future with the result that investment in breweries is now mostly geared specifically to brewing increasing quantities of lager and, generally, to modernising existing plant and making production more efficient.

As one large brewer points out: "Keeping your manufacturing unit costs under control doesn't half help the marketing people sell your beer." His brewery's unit costs, discounting inflation, had been held steady for the past five years.

Keeping costs down could be achieved by using cheaper raw materials, but one thing which brewers guard jealously is the quality of their end product—the pint of beer in the pub or the bottle and can on the supermarket shelf. Huge advertising expenditures may convince a consumer to try a particular brand of beer; but only good quality control will ensure repeat purchases.

So brewers have been looking to keep costs in check by ensuring that plant is run efficiently and waste is kept to a minimum. One, now fairly common, way of making beer more efficently is high-gravity brewing. This entails making a strong brew which is then diluted to the required retailing strength.

There are obvious attractions to high-gravity brewing—less plant for a given volume, with the attendant savings in services and utilities—not every brewer is convinced it is a good idea. (There can be flavour matching problems and process losses are amplified.)

Another way of making more effective use of plant is the so-called uni-tank system, now favoured by some brewers, whereby, instead of the usual practice of fermenting and conditioning in separate vessels, both take place in a suitably-equipped single vessel. This reduces beer losses when transferring beer and also cuts down the number of vessels to be cleaned.

Along with other process industries, brewers have also seen the advantages of computerised automation and monitoring of beer production to improve plant productivity. The day has not been reached (and probably never will) of the totally-automated brewery. Some important parameters such as original gravity, yeast count, dissolved oxygen and haze are difficult at present to measure reliably in-line (although work is currently proceeding to improve instrumentation in this area). Also the human eye, nose and mouth still have no substitute in quality control.

Also where automation has made the biggest impact on manning levels is in the packaging hall; highly-automated keg washing/racking/handling plant and bottling and canning lines, some very high speed, are now the norm.

One, well-publicised aspect of brewers' efforts to become more efficient has been the industry-wide campaign to reduce energy usage in the brewery. Monitored by the Brewers Society, this has now reached the stage where brewers are using less than 80 per cent of the energy that they were in 1976.

UK brewers' capital expenditure

£ million at 1985 prices

	Actual	Forecast			Total
	1983-85	1986	1987	1988	1986-88
Production	185	73	67	59	199
Packaging and distribution	271	129	119	109	357
Retailing and other	1,832	804	796	729	2,329
Totals	2,288	1,006	982	897	2,885

Source: Brewers Society

Two key areas of reducing energy consumption are the brewhouse and beer storage and processing. The former involves using steam more effectively to heat up wort (the name given to beer before fermentation), the latter making refrigeration more efficient. There has been a lot of work done on both improving steam consumption during wort boiling—which uses up to 40 per cent of the total energy consumed by a brewery—or recovering the heat from the vapour given off during boiling.

At the moment the best saver of energy is the so-called high-temperature wort boiling system, a version of which is now operating commercially in one UK brewery, Greenall Whitley's Warrington Brewery in Cheshire. This uses 69% less steam than the former conventional copper boil.

For those wanting to retain a more conventional approach there is the external wort boiler (a highly efficient heat exchanger now widely used) coupled with various vapour heat recovery options such as the steam eductor, an inexpensive thermocompression system favoured by the Brewing Research Foundation; pilot plant studies have shown that this allows steam savings of nearly 50 per cent over conventional boiling.

Less investigation has been carried out into beer refrigeration, which can account for nearly 20 per cent of a brewery's energy usage. Hot wort from the brewhouse has to be cooled before fermentation. During fermentation heat generated by the action of yeast on the wort has to be taken away, and afterwards the beer (unless cask-conditioned ale) is stored and filtered at low temperatures, down to −1°C, to chillproof it and ensure a bright, clear pint in the pub.

One way to improve refrigeration is to increase the insulation on vessels and pipework, something Bass Brewing (Burton), for example, has done in its new filter room, where lagging is double the recommended thickness. Courage has carried out an extensive investigation of refrigeration at its three breweries and, essentially through operating and monitoring the equipment more efficiently, has been able to reduce costs by 17 per cent.

Besides better energy efficiency, brewers have also been making big efforts to reduce beer wastage in all stages from fermentation through to packaging and beyond. Processing losses in UK breweries are, on average, some 6 per cent of output. One brewer points out that in a large 2m bbl/year brewery, even trimming losses back a tiny 0.1 per cent saves over £100,000 annually. So there are big savings to be made, and not only in beer; effluent charges are reduced too.

To combat wastage, there has also been a trend in the larger breweries—such as Ind Coope Burton Brewery which is currently in the middle of a major redevelopment—towards fixed-pipe systems to link vessels, rather than flexible hoses that have to be manually coupled and uncoupled with the attendant loss of beer. Ind Coope Burton, like other brewers, now also pushes beer along pipelines with suitably purified water to avoid quality problems associated with dissolved oxygen, and so that, for example, when a tank has been filled and the inlet valve turned to drain, water rather than beer goes to waste.

For the same reasons, when operating beer filters, brewers try to arrange for runs to be as long as possible. And, in the packaging hall, more accurate meters are now available for keg and cask racking lines so that publicans get a more exact measure of beer, rather than an overfill.

Hitherto, large amounts of beer were lost in spent yeast and residues from tank bottoms. Many brewers are now installing specially-designed filter presses which squeeze as much beer as possible from these beer/solids mixtures. A novel German design called the Grau filter is currently being installed at Ind Coope Burton Brewery; it has a continuous linen filter cloth (made in Lancashire) and an integral cleaning station.

Excessive quantities of spent yeast may be a thing of the past if brewers, like Bass, are successful in their attempts to convert the extract in the wort into alcohol more efficiently during fermentation. Their aim is to maximise alcohol yield and minimise yeast cell growth. Essentially it involves careful control of both yeast pitching rates and the amount of oxygen injected.

Getting yeast to behave more predictably during fermentation is a subject in which several brewery research departments are involved. It is also an area in which the Brewing Research Foundation (BRF) is working. For example, it has recently developed a "quick test protocol" with one of its members, Crisp Instrumentation, for rapidly evaluating the fermentative performance of yeast before pitching.

This is to be shown at the new Brew'87 Exhibition, due to be held at Earls Court in London, from June 8-12. Another development on show is BRF's deep-bed sand filter for beer, which APV Burnett & Rolfe is exhibiting. This has now undergone commercial trials at Whitbread's Magor Brewery, Wales, and BRF believes it will prove to be a much more cost-effective way of filtering beer than the kieselguhr-coated filters currently in use.

Bruce Stevens *Editor, Brewing and Distilling International.*

Lager market

Battle of the brands

TWENTY YEARS ago lager was mainly drunk by Britons on visits abroad. The drink now takes about 43 per cent of the depressed UK beer market with 10 nationally advertised brands commanding about 70 per cent of the public house trade — around 85 per cent of the beer market.

It is a development which has big implications for brewers, particularly in the regions which traditionally have focused on their ale brands. Lager's continuing strong performance can be attributed to four major reasons:

- A favourable consumer profile with the younger drinker being the main consumer of lager. Ales are perceived by many of these younger drinkers as appealing to an older drinker.
- The chief brewers have invested considerable resources in lagers which tend to be of a lower gravity than beers and command higher prices, thus increasing profit margin in stagnant market. Advertising expenditure on lager, according to MEAL, last year accounted for 65 per cent of the total spent on beer advertising, compared to lager sales of 43 per cent to 44 per cent nationally.
- Lager is popular in other main beer markets, such as the US and the rest of Europe. Companies like Anheuser Busch, the US brewer, with its Budweiser brand, have been keen to franchise the brand abroad because of stagnant sales in its domestic market. Lager, unlike ale, lends itself to global branding — a strategy being developed by Elders IXL, the Australian brewing, financial services and pastoral group.
- More recently, the prospect of the possible relaxation of the tie, the system by which most brewers sell the majority of their beers, has focused attention on brand building.

Panmure Gordon, the stockbrokers, in a recent report, said: "The twin threats of potential legislative-inspired relaxation of the tie and the growing involvement of overseas brewers with a strong commitment to marketing has appeared to prompt a sharp increase in the industry's commitment of resources to brand building. Brand development has become the only alternative to commodity discounting in the growing free trade."

It is the major brewers which spend the most on advertising their lager brands. Bass, Allied Lyons, Whitbread, Watneys, Scottish and Newcastle, Courage and Guinness, together spend 93.5 per cent of the £46.2m total on advertising lager in 1985, according to MEAL.

However, there are repercussions among Britain's 60-odd regional brewers who have traditionally concentrated on their ale brands. Their lager brands sales only go through their own tied houses and make little appeal to the independent public house or to the growing supermarket business.

Others such as Vaux, the north eastern brewer, abandoned their own brand and started to brew Tuborg, owned by Tuborg Lager, of Denmark. Substantial success is claimed for some of these licensed brews including Hurliman Stern Brau, brewed under licence by Shepherd Neame, the Sussex brewer.

Others buy in brands such as Harp (Guinness) and Heineken (Whitbread) from the major brewers. This can cut profit margins and exacerbate surplus capacity in the smaller brewers' own houses as volume sales of lager increase at the expense of their own ales.

The tie, it has been argued by some in the industry, has protected those regional brewers who have not got strong brands at a time when the consumer is becoming increasingly brand conscious.

Abolition of the tie, so the argument goes, could make some smaller brewers vulnerable to increased attack by nationally promoted brands.

Hoare Govett, the stockbroker, in a recent report on the lager market predicted that five nationally advertised brands could command up to 75 per cent of the pub market by the end of the decade. Mr Russell Hart, a Hoare Govett analyst, says: "It is implausible to suggest that brands such as Grunhalle (Greenall Whitley), Marksman (Mansfield Brewery) and Marcher (Marston Thompson and Evershed) for instance have a viable future outside of their respective tied estates and should the tie be loosened, even within."

Unarguably, the rise of lager has been one of the factors that have contributed to the relative underperformance of regional brewers compared to the national companies, making some, it is believed, vulnerable to takeover bids.

Other factors include:

- The growth in the take-home trade which accounts for nearly 15 per cent of all beer sales. Only the larger regional brewers have access to national distribution for their brands.
- Fierce competition from the national brewers in the highly competitive free trade.
- High unemployment in areas of traditional heavy beer consumption.
- At a time of falling total beer consumption smaller regional brewers are more dependent on the beer market than national brewers who have diversified to a greater extent into areas such as hotels and leisure.
- Less experience in the growing "added value" areas such as catering.

Mr John Dunsmore, of Wood Mackenzie, the stockbroker, said: "The pressures are there. On purely commercial arguments there are grounds for rationalisation in the industry."

Takeover speculation has been rife for the past year in the sector. The most recent speculation surrounds Vaux, based in Sunderland. In January Wolverhampton & Dudley, the Black Country brewer, announced it had built up a five per cent stake in Vaux.

W & D told Vaux that it had built the stake for investment purposes. However, W & D appears to be hungry for acquisitions. Last year it failed in its hostile bid for Davenports, the Birmingham brewer acquired by Greenall Whitley, the Cheshire brewer.

It was also known to have been interested in acquiring Nottingham-based Home Brewery, acquired by Scottish & Newcastle Breweries last year.

Some small regional brewers have welcomed a take-over as in the case of G. Ruddle, the real ale brewer, acquired for £14.2m last year by Watney Mann & Truman.

Mr Tony Ruddle, chairman of G. Ruddle, said: "We are in a highly competitive marketplace. The necessity for strong brands is becoming more and more obvious. We have a strong brand but we have not got the muscle for nationwide distribution."

This need for marketing clout is even more pertinent in the non-pub trade where multiple grocers command 38 per cent by volume of all take-home beer sales. Take-home sales continue to grow with nationally advertised lager brands taking the lion's share. Cult beers such as Ruddles and Abbot Ale command premium prices but many regional ales are sold as commodities.

In a bid to improve margins, brewers are concentrating on developing premium-priced lagers which now account for about 20 per cent of all lager sales in the take-home trade. It is the chief brewers again who can afford to spend money on advertising their brands in the take-home trade. Lagers—and some ales—from smaller brewers are more likely to be traded as commodity items.

Such is the competition in this area that some in the industry see a major rationalisation of brands within the take-home sector.

Mr David Clayton-Smith, marketing director of Courage, says: "Over the next five to 10 years we are going to see a great rationalisation of brands in the take-home sector. There are too many brands at present fighting for the same space. We will see bigger and stronger national and international lager brands and a number of regional ales."

All these developments bode ill for those members of the industry which are unable to develop strong brands.

Lisa Wood

International scene

Predators prowl the marketplace

THE RAPID pace of recent mergers and acquisitions in the international drinks business is changing the face of the world's spirit business.

Mr George Bull, chairman of International Distillers and Vintners, the wine and spirits subsidiary of Grand Metropolitan, one of the major players, warned that more changes in ownership could come.

"We have not seen the end of this cycle," he said. "I would not like to forecast which of the major companies in the industry will stay in the market, get bigger or sell their interests. But I do not regard it as impossible that changes could still occur among the major drinks companies, or those in the second division in size."

Several forces are driving this rationalisation within the industry. They include:

- The attraction of brands, and the growing recognition that it is often easier to buy an established brand rather than build one from scratch. Mr Tom Corran, of James Capel, the stockbrokers, said: "Brands, when established, are the means by which international trade is built up. Brands are profitable, as they command a premium. Commodity business is not profitable, or at least is far less profitable."
- Financial attractions: Liquor companies offer substantial profits without the need for substantial capital investment.
- The economies of scale, with acquisition being a much faster way to grow than organic development.

Major acquisitions include:

- Heublein, the US drinks business, was acquired in January 1987 for $1.2bn by IDV. The company's major brand is Smirnoff vodka.
- Allied Lyons, the food and drink company, acquired 51 per cent of Hiram Walker's liquor division with Gulf/Olympia & York retaining 49 per cent.
- Distillers Company was taken over by Guinness in March 1986 for £2.5bn after a hostile bid for the Scotch whisky company by Argyll, the supermarkets and drink group.
- Arthur Bell, the Scotch whisky company was acquired in 1985 for £352m by Guinness.

Some of this activity has not been without considerable acrimony. Indeed, the Guinness take-over of Distillers provoked a major investigation into Guinness's sharedealings at the time and, most recently, the arrest of its former chairman and chief executive, Mr Ernest Saunders, on three charges.

In addition to take-over activities in the spirits sector there have also been major acquisitions in the brewing business, with Mr John Elliott, of Elders IXL, the Australian financial services, pastoral and brewing group, acquiring Courage, the UK brewer, from Hanson Trust.

Mr Elliott, like his peers in the spirits business, is striving to develop global brands. However, international activity in the brewing industry has been far less active than in the spirits business which offers far greater opportunities for global branding.

Companies that have abandoned the foray include Argyll, the supermarkets group, and R. J. R. Nabisco, the US conglomerate.

International Companies $m

Company	Country	Operating Profit 1980/81	1983/84	1985/86	% change 80-86	83-86
IDV/Grand Metro.	UK	72.6	139.0	219.4	+202	+58
Moet Hennessy	France	72.2	91.9	146.6	+103	+60
Brown Forman	USA	108.1	166.4	168.1	+56	+1
Heublein*	USA	126.1	142.0	159.0	+26	+12
Seagram	Canada/USA	240.0	231.0	214.7	−11	−7
Hiram Walker†	Canada	245.8	211.4	205.1	−17	−3
Allied Lyons	UK	117.8	101.9	97.8	−17	−4
Pernod Ricard	France	122.4	115.4	102.1	−17	−11
Distillers Co	UK	406.0	275.0	334.0	−18	+22
Suntory	Japan	204.1	167.0	95.7	−53	−43
Total		1,715	1,641	1,742.5	+2	+6

Note: These figures take no accunt of acquisitions, nor of changes in capital of the companies concerned.
* Now owned by IDV.
† 51% now owned by Allied Lyons.
Source: James Capel

Argyll, which decided to concentrate on its supermarket business after failing to win Distillers, said shortly afterwards, when it bought the UK arm of Safeway: "Argyll now believes that, from its modest base in the drinks sector, it may no longer be practicable, in a highly concentrated industry, for Argyll to establish a major international drinks business at an acceptable cost."

Some of the major players have yet to show their hands in the big corporate stakes. They include Seagram, the Canadian drinks company, and Suntory, the Japanese group with strong whisky interests, which has been keeping a keen eye on developments within the Scotch whisky industry.

Equally as important as the changes in ownership of brands is the parallel process of concentration that is taking place at the distribution end of the spirits business. A recent report by Wood Mackenzie, the stockbroker, highlighted this process in the Scotch whisky industry.

The report said: "This process has been going ahead anyway, with major international groups acquiring or building up their own distribution systems in markets around the world. It is, however, being rapidly accelerated by the change in brand ownership."

The major companies pursuing global markets are Seagram, Guinness, IDV/Heublein, Allied Lyons, Suntory, Bacardi, Pernod-Ricard, National Distillers and Brown-Forman.

However, it is estimated that IDV, Seagram, Guinness and Allied Lyons account for over a third of the international spirits market and make three-quarters of the profit of the top 10 liquor companies. Mr Tom Corran, of James Capel, said: "That is clout in a contracting market."

Guinness is the most recent new player in this international spirits marketplace which, with the acquisition of Distillers, added a large Scotch whisky portfolio to its international stout business. Scotch whisky brands owned by Guinness include Johnnie Walker Red and Black labels; White Horse and Dewar's Scotch.

Since the acquisition, considerable management attention at Guinness has been focused on streamlining what was the sleeping giant of the Scotch whisky industry.

It is a development which in the main has been welcomed by the industry which believes Guinness will add a new muscle to this major segment of the international spirits business.

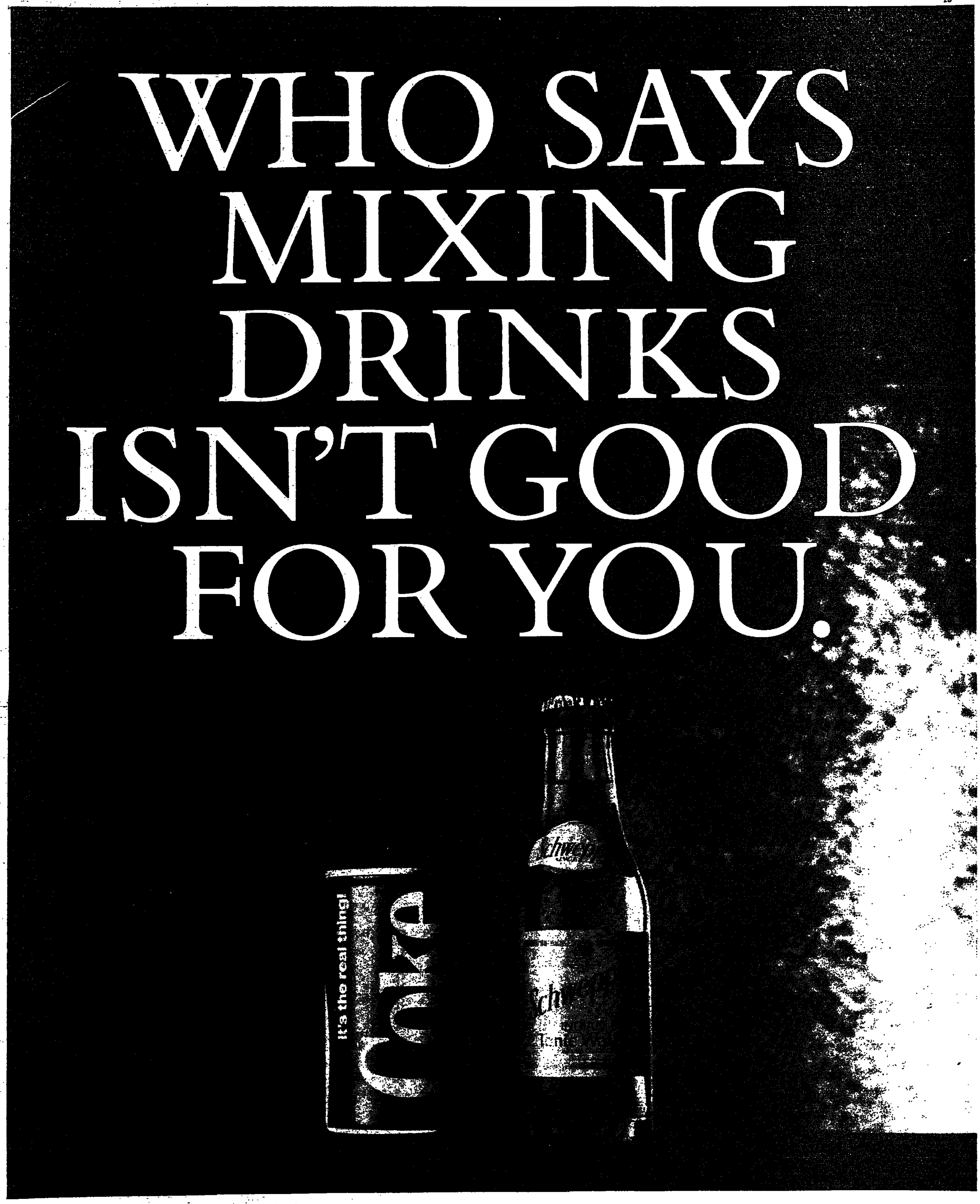
Scotch whisky accounts for about 11 per cent of total whiskies and has been one of the drinks most adversely affected by the decline in spirits consumption, in particular in the crucial and huge US drinks market.

Guarded optimism however is now being expressed by the industry over future growth in sales of Scotch in world markets, and in particular to traditional wine-drinking countries such as France and Spain.

While the overall prospects for volume growth in the industry generally are poor there are areas of the world, including the Pacific Basin, that are new markets and opportunities for specific product areas, particularly in the lighter spirits area.

In addition the major players forecast improved opportunities in the US, a market which has accounted for much of the decline in total consumption in the past few years.

Lisa Wood


WHO SAYS
MIXING
DRINKS
ISN'T GOOD
FOR YOU.
It's the real thing!
Coke

Corporate regroupings and changing tastes are having their effect on many sectors of the drinks market. Writers discuss prospects

Spirit sales in the UK

('000 hectolitres of alcohol at 100%)

	IMPORTED				HOME PRODUCED			
	Rum	Cognac	Brandy	Other	Whisky	Gin	Other	Total
1982	73.4	37.9	28.4	58.7	447.5	123.6	121.7	891.2
1983	72.7	38.4	30.8	65.5	444.8	137.2	127.0	916.4
1984	74.7	37.4	32.9	71.5	433.6	133.0	128.9	912.0
1985	76.6	41.2	36.2	72.1	461.4	138.7	147.6	973.9
1986*	77.7	42.6	35.3	73.1	453.8	130.1	148.9	961.5

* Estimated 12-month totals up to and including November.
Sources: HM Customs and Excise/Wine and Spirit Association.

Mergers in soft drinks

THE EMERGENCE in January of two powerful groups sharing more than 50 per cent of Britain's £2.5bn soft drinks market was only the start of a shake-out.

Between them, the massed brands of the Britvic Corona consortium and the Coca-Cola & Schweppes Beverages combination, will be promoted this year to the tune of almost £100m.

The boldness of the joint ventures and the subsequent handsome investment in marketing will have an impact far beyond that of boosting consumption of the majors' impressive portfolio of brands.

As consumption of carbonates, juices, mineral water and mixers rises with promotional spending—Britons absorb only 101 litres of soft drinks a year, compared with 235 in the US and 115 in the rest of Europe—others are bound to feel the effects.

The cost advantages and increased competitiveness of the two market leaders will almost certainly result in further consolidation, primarily through mergers among smaller companies, which numbered some 150 at the last count.

At present, according to Canadean, the specialist food and beverage planning and research company, Britain has 22 companies sharing 65 per cent of the fizzy drinks market. In the US, with five times the population, 17 manufacturers control 87 per cent of the trade.

At the same time, other companies previously unconnected with the industry, will be drawn in by the twin attractions of the high profits to be made on popular brands and the City's unanimous view that the trade is easily capable of growing by at least 5 per cent a year for the foreseeable future.

While the corporate trend moves towards consolidation, in product terms the market is becoming ever more fragmented—or segmented as the specialists put it.

There are already about half a dozen different cola types including diet, caffeine-free and cherry-flavoured varieties, as well as Jolt, which boasts of its anarchic high-sugar, high-caffeine recipe.

But the market as a whole is rapidly being broken down into slivers of varying sizes with variable prospects, offering niche opportunities for both established companies and newcomers.

There is an endless stream of new products coming on to the market aimed at every taste, every fad, and every age group.

Beecham Group, which acted as a catalyst in the latest restructuring when it sold most of its brands to Britvic Corona, provides a good example of a company preparing to exploit markets away from the mainstream. While it sold off its Corona, Tango and Quosh brands, it held on to its so-called "healthy" interests in Lucozade and Ribena.

The healthy drinks trade is expanding rapidly. A study by the Key Note research company, for example, forecasts 65 per cent sales growth between 1986 and 1990. Turnover in carbonates, by contrast, is expected to rise 24 per cent. Keynote suggests that sales of healthy drinks overall, including juice, and mineral water will be worth £1bn by the end of the decade.

Others attempting to carve out or invade other niches include companies making alcohol-free "beer," wine and beer-based coolers stretched with mineral water and fruit juice, milk and juice combinations, drinking yoghurts, high-juice squashes, and exotics like Big John's Chocolate Flavoured Soda Pop, which J. N. Nichols sells alongside its ageing Vimto brand.

Since the US is the model held up by most marketing men for Britain's consumer future, segments showing most potential for growth would seem to include pure fruit juices and drinks. UK annual consumption is about 14 litres a head compared with 24 litres. And despite the valiant efforts of the yuppie community, bottled water intake of 1 litre shows considerable room for improvement when put alongside 20 litres in the US and 39 litres elsewhere in Europe.

Christopher Parkes

Bullish outlook for Scotch

THE GRASPING by Guinness, the brewing group, of Distillers, the major Scotch whisky distiller, has been one of the most controversial takeovers in the history of the UK drinks industry.

At a stroke Guinness in 1986 leapt into the ranks of the world's top spirits businesses and provoked a government inquiry into its tactics during the takeover, the results of which have yet to be published.

For the industry, however, the advent of Guinness into its ranks has provoked a sigh of relief. The Distillers Company, under its previous management, had been complacent and slow to respond to a changing marketplace in an industry whose fortunes waned after the late 1970s.

Mr John Bridle, marketing director of William Grant, the Glenfiddich malt whisky distiller, said: "There is relief in the industry. Guinness appears to have a genuine commitment to put value back into Scotch whisky.

"I believe Guinness will start to raise the profile and value of the Scotch whisky category and that has to be good for all of us."

Supportive words from a competitor—as yet untested—but echoed by other companies in Britain's Scotch whisky industry, one of the most important export industries in Britain. For such is the size of the former Distillers Company, that its health has major implications for the industry.

There are other new players in the industry. Allied Lyons last year purchased a 51 per cent stake in Hiram Walker, the spirits' business whose Scotch brands include Ballantine's, an important brand on the Continent. Other small transfers of brands have also taken place—all part of a re-grouping of a range of brands within fewer companies.

A new spirit of competitiveness which could lead to a shake out of brands, is giving the industry a fresh sense of direction at a time when sales appear to be picking up. Exports of Scotch peaked in 1978 at some 274.3m litres of pure alcohol (lpa). This had fallen to a low-point of 225.9 lpa in 1985. Some recovery however has been achieved since then with 1986 showing the largest volume percentage increase since 1978.

Last year Scotch exports worldwide rose by 4.6 per cent in volume and 7.7 in value. Analysts of the industry are currently fairly bullish about future prospects, including those in the difficult US market where sales of spirits generally have been depressed.

External factors such as the economic recession and discrimination in export markets can be blamed for some of the industry's problems. However, the industry generally has been slow to respond to a changed marketplace with companies being slow to innovate new products and appeal to a broader range of consumers. There is now evidence of the industry positively responding to the new challenges with improved marketing of brands and more careful identification of market opportunities in developing markets. These include the Continent and the Pacific basin.

The industry looks with some envy at the Cognac Information Service which has done much to enhance the prestige of cognac generally. In the UK the Scotch Whisky Association has concentrated more on the industry's problems such as parallel trading, stock relief and duty. Some in the industry hope that it will take on a stronger public relations role in the future.

The radical overhaul of Distillers is the sharpest example of the changes occurring within the industry. When the group was acquired last March for £2.5bn, Mr Vic Steele, then appointed managing director of Guinness Beverage group, initiated a strategic examination of the spirits group—now renamed United Distillers Group.

Emphasis on the drinks activities of the group have been underlined most recently by Mr Anthony Tennant, the new chief executive who has announced that the group's retailing activities are to be sold in order that the group focuses on its core activities.

The key features to date of the drinks' strategy have been:

- Concentration of all UK sales activities at Perth under Arthur Bell.
- The bringing together of all overseas sales and marketing staff into one office at Hammersmith, London. Previously, all the different brand-owning subsidiaries of Distillers had their own overseas marketing operations. The strengthening of the US management team with the appointment of Mr William Pietersen as president of Guinness America.
- The reduction of the number of distributors, currently 1,700, and the channelling of brands through wholly-owned or joint venture companies. In Spain, for example, United Distillers Group has entered into a joint venture with Bacardi, in which UDG will have a controlling interest for the production and marketing of Gordons Gin and the sale and marketing of Johnnie Walker, Cardhu malt whisky and Tanqueray Gin. Other European links will follow.

This concentration taking place at the distribution end of the industry is occurring generally within the industry, as highlighted by Wood Mackenzie, the stockbroker which said in a recent report: "This process has been going ahead anyway with major international groups acquiring or building up their own distribution systems in markets around the world.

"It is, however, being rapidly accelerated by the change in brand ownerships. In the long run, it will mean an end to the system of exclusive but independent local distributors which was an intrinsic part of the development of Scotch as a worldwide product and had become the norm for international drinks brands."

Mr Bridle, of William Grant, the Scotch distiller, said the change in distribution by United Distillers Group could have some beneficial aspects for smaller whisky companies but there were also problematic areas. Some distributors could be potentially available to other companies. But he said: "The problem in Europe for branded distribution is the portfolio concentration of the major distributors. It is becoming increasingly difficult for single product companies like us to find distributors with the right portfolio."

Mr Bridle said part of the future prosperity for smaller spirits companies like William Grant lay in making alliances with other drinks companies. For example in Hong Kong and China, Martell Cognac distributes its brands, the major one being Glenfiddich malt whisky.

New product development is a constant objective of the industry and companies like William Grant have been among the most active. It is now test marketing two vodka mixers, called Taboo and Mirage, both in the popular lower strength sector of the spirits market. The brands are marketed by The Light Spirits Company, a wholly owned subsidiary of William Grant, set-up 18 months ago.

William Grant was the pioneer in the marketing of malt whisky. Malt makes up some 2 or 3 per cent of the Scotch whisky market and has shown substantial real growth in the last few years. According to 1984 Customs and Excise figures there was an 18.2 per cent market growth, 1985 showed an 8.6 per cent increase and 1986 a 7.3 per cent rise.

"We have no reason not to believe that malt will not continue to grow in sales," said Mr Barry Thompson, marketing manager of The Glenmorangie Distillery, owned by Macdonald Martin whose major malt is Glenmorangie. "People may be drinking less spirits but they are drinking better quality products. Glenmorangie in the late 1970s decided to concentrate on malt at a time when its blended products suffered weak brand images at the time of the erosion of the standard blended sector. Mr Thompson said: "In the early 1980s we focused on the precise positioning of our brands and started to invest in them for the long term.

"Cash raised from discounting its sales of blended whisky was used to develop the companies major malt, Glenmorangie, in the move from a volume based low margin business to a quality higher margin trade."

According to Mr Thompson the strategy is paying off with strong profit growth. Greater distribution in England and overseas is now being actively sought. However, Glenmorangie, like its peers, is keenly aware of the increasing competitiveness of the marketplace. Mr Thompson said: "An increased quality of competition must be good news for the industry giving it stability and direction. However, weak brands will become more vulnerable."

Lisa Wood

Liqueurs cream off the profits

CREAM LIQUEURS have been the quiet success story of the industry over the past five years consistently outstripping the growth of well-established drinks.

In just 12 years since the arrival of Baileys, the market has expanded to total around 750,000 cases in the UK, and 3m annually around the world.

Cynics predicted that the largely female audience of the early years would soon tire of the taste, but their continued loyalty has made it the most dynamic area of the liqueurs business, according to Ms Penny Billett, UK brand manager. And these days, men account for almost half the consumption.

The International Distillers and Vintners' product still accounts for two-thirds of creams business, having fought off the challenge of literally dozens of cream contenders. "About three years ago, we were hit quite hard by some launches. It was just the sheer number of them, but now the trade is much more suspicious of every new product that comes along."

Two arrivals that have stayed the course are the Allied-Lyons' brands, the wine-based Country Satin and Carolan's, which are second and third in the market, helped by their price advantage over the spirit-based Baileys.

Last year, the market grew by more than 6 per cent, and Ms Billett says she is extremely optimistic about further expansion in 1987. "There is enormous room for expansion—the product is so versatile."

IDV, which spent more than £2¼m on the brand at Christmas alone, is now trying to spread the creams habit to the on-trade, where the market has never really taken off, with the introduction of large measures in selected pubs.

Martin Geary

Vodka sales overtake gin

GIN'S FALL from grace as Britain's second most popular spirit was not unexpected, but the scale of its decline in 1986 was a surprise.

Provisional figures from Customs & Excise show a 6.8 per cent slump in gin clearances putting it behind vodka, which was up 1.9 per cent, for the first time.

Vodka's strong appeal to big-spending younger drinkers has helped to propel it past gin, which relies heavily on the support of consumers aged 30-plus.

Mr Alan Mays-Smith, UK marketing director of Beefeater producers, James Burrough, was surprised at the scale of the downturn. "Gin is one of those products that never goes up or down very dramatically. It is a stable sort of drink."

He conceded that the drop in visitors from America may have hit the market. "Some of our sales to hotel groups were down for that reason, but Beefeater had a reasonably good year. And we are quietly confident of prospects for 1987."

Mr Mays-Smith considers the gin versus vodka confrontation an irrelevant issue. "They are different products for different audiences. Gin is a far more sophisticated taste and people move up to it from vodka."

The 3.75m case gin market is still dominated by the Distillers' brand, Gordon's, which has a 50 per cent share, followed by Seagram's White Satin (15 per cent), and Beefeater.

Mr Richard Allaway, senior brand manager on Smirnoff, which has around 50 per cent of the vodka market, said: "It is the most buoyant of all spirit markets at the moment. We expect vodka to go on growing. All the signs are there—mainly the swing toward lighter mixable spirits.

"You don't have to acquire a taste for vodka in the same way as whisky and gin, and they are also looked on as old-fashioned. The strength of Smirnoff and vodka lies in drinkers between 20 and 35. Younger consumers have more cash to spend and go out to buy, light, bright drinks."

Mr Aallway claims volume of the International Distillers and Vintners' brand was up in 1986, and he predicts "modest but steady" growth this year. Vladivar is the second biggest brand with around 15 per cent of the 4m case market, and own-label also accounts for 15 per cent.

Another brand that continues to benefit from the swing towards lighter drinks is Bacardi rum. Sales were up 4 per cent last year, according to Mr Robin Ritchie, marketing director of Bacardi (Europe). "The spirits downturn makes our performance look pretty respectable."

While dark rums have steadily declined in popularity, Bacardi, which has an annual advertising budget of £3.5m, has grown to a point where it accounts for more than half of the 2m case rum market.

"We have a young consumer profile, but we also benefit from the middle age spread of drinkers who joined us in the 60s and 70s. It is also always asked for by name—and that is the main strength of the brand."

Martin Geary

Light wines show sparkle

THE LIGHT WINE boom may be slowing, but it is still the most dynamic sector of the drinks market, and continues to attract consumers from more traditional categories such as vermouth and fortified wine.

Clearances of light wine increased by 5.7 per cent in 1986, according to Wine and Spirit Association estimates, after five years of consistent expansion when annual growth averaged 10 per cent.

Still and sparkling sales crept close to 60m cases for the first time, compared with 33m cases in 1980, although it is the inroads made by the multiple grocers that is fuelling most of the growth. Own-label accounted for 44 per cent of off-trade sales last year, according to State MR figures.

Around 63 per cent of people now drink wine, according to estimates, one reason why vermouth and sherry are still struggling to emerge from a decline that has dogged them throughout much of the 80s. However, the UK still remains the world's biggest market for both products.

Mr Keith Burton, UK marketing manager of Harvey's, says: "The traditional role of sherry has been usurped a bit by wine. It has become a trifle stereotyped, and is linked too closely with the 60s which was its heyday. I think it can be turned around—there is no reason why it should continue to decline."

UK light wine sales

(Still and sparkling wines)

	Volume (litres m)	Consumer nos (million)
1980	276.5	23.9
1981	313.7	24.6
1982	332.5	24.7
1983	373.0	26.3
1984	*433.1	28.8
1985	*474.2	27.9
1986	*501.7	**28.5

*These figures are estimates calculated to minimise distortions to HM Customs' figures caused by inclusion of low strength vermouths.
**Estimate.

Sources: HM Customs and Excise/Wine and Spirit Association. British Market Research Bureau/TGI.

Off-trade sales dipped 7 per cent in 1986, although Harvey's, the world's biggest sherry company, did slightly better with a 2 per cent drop, mainly because of the continuing popularity of its flagship, Bristol Cream, which was up 5 per cent.

The UK market, at 4.6m cases worth £290m retail, is still huge, but the drink has stubbornly resisted the efforts of marketeers to update its image.

Harveys' introduction of a mixer sherry, Tico, has been a moderate success, but Mr Burton says: "It has not quite had the impact among younger drinkers we would have liked."

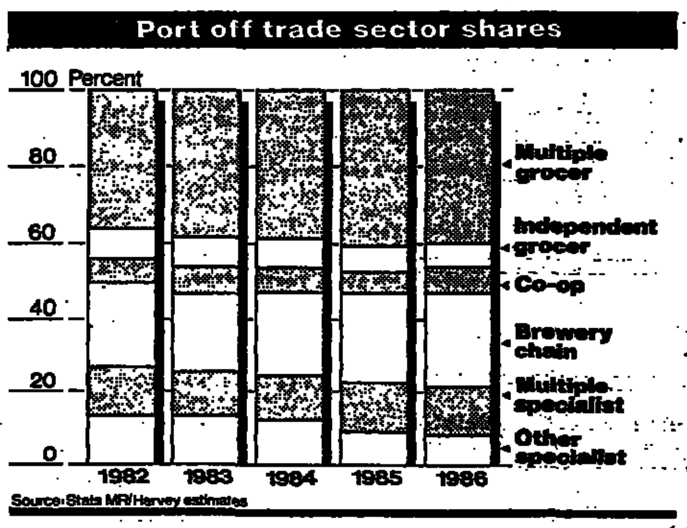
Last month's formation of FedeJerez, a body representing all the sherry and brandy interests in the Jerez region, underlines how determined companies are to come to terms with tougher trading conditions around the world.

Mr Luis Breton, director of the new organisation, speaking from Spain, called it a "unifying operation putting everything under one command." He added: "It confirms the ability of the industry to meet all its challenges. What we have now is an updated version of the traditional institutions."

The Sherry Institute of Spain, the UK promotional arm, is in the third year of a generic campaign, and is upping the budget in 1987 to £720,000. Director Graham Hines said: "We have 500 years of trading behind us and we have had setbacks before. I think 1988 will be the time we start moving again."

Ironically, while sherry struggles, another traditional fortified wine, port, has managed to surmount similar image problems, and last year sales were up by 5 per cent to total 750,000 cases, worth £62m retail.

Port off trade sector shares



Source: Stats MR/Harvey estimates

It was the third year running that volume increased, and once again it was the better quality styles that led he way. Cockburn's dominates the market with a 37 per cent share, followed by own-label with 23.4 per cent, Sandeman 9.6 per cent and Croft 7 per cent.

Vermouth, like sherry, has drifted out of popularity after dramatic sales gains in the 70s, although the market still totals 5.2m cases.

Arch rivals Martini (which accounts for almost six out of ten bottles sold) and Cinzano (21 per cent of the market) reduced the strength of their brands within a few weeks of each other last year, putting them in the table wine category, which knocked up to 50p a bottle off the retail price.

Mr Chris Searle, Martini's marketing director, says the move, and two standstill Budgets, has "revitalised" vermouth. "The better value for money proposition caused a lot of consumers to look at the market again."

Although official figures are not yet available, Mr Searle predicts a slight upturn in the market in 1986 adding: "We are very optimistic it will show some growth this year as well."

The company, which spends more than £6m on advertising and promotions, has increased its budget by 15 per cent this year, and has just introduced its first on-pack offer in many years. "In the past, vermouth relied very much on advertising imagery. The market is much more competitive these days. You can't rely on television to deliver future sales—you have to get people to sample it."

Mr Chris Britton, Cinzano UK brand manager, is less optimistic. "The market is in slow decline. The category has become unfashionable. Both the main brands are also losing out quite dramatically to own-label." He says both main contenders have to make vermouth more relevent to the target audience, women aged between 25-45.

And he also cites wine as a problem. "It has become an everyday drink and vermouth has suffered because of that."

Martin Geary

THE ARTS

Architecture/Colin Amery

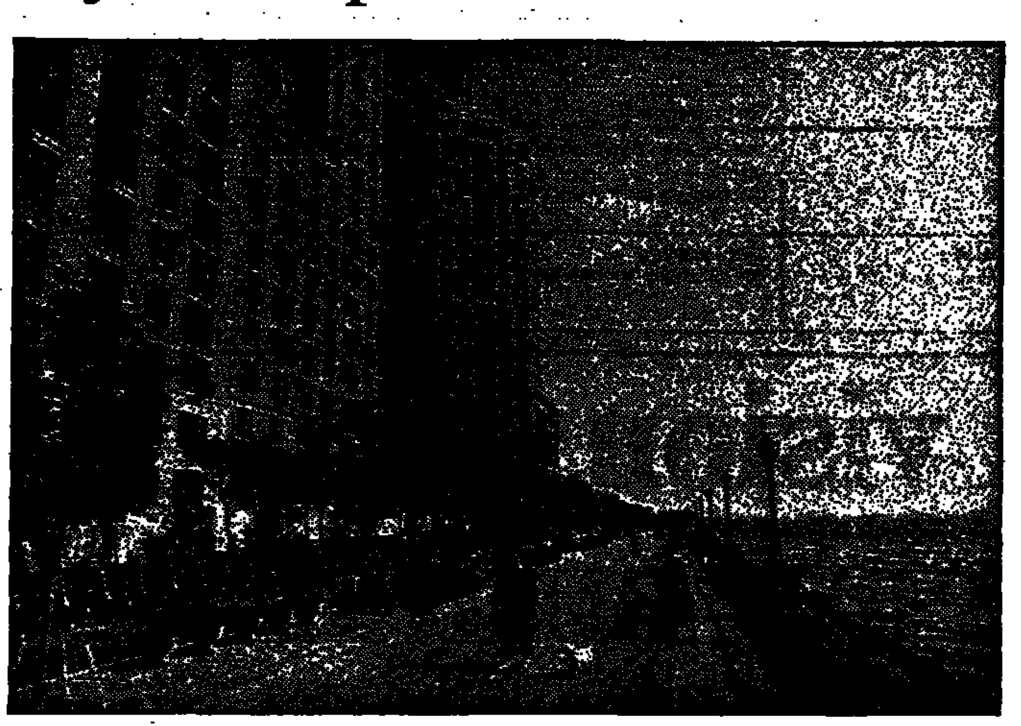
Exemplary development in Lower Manhattan

Back in the late 1970s the giant landfill development known as Battery Park City, between Battery Place and Chambers Street in Manhattan adjacent to the financial district, was described by almost everyone as a huge fantasy. In the 1978 American Institute of Architects guide to New York City the authors wrote that "six million square feet of future office mythology are advertised here."

Words will have to be eaten. This year, 6m sq ft of offices will be completed and occupied The Canadian developers Olympia and York, and their architects Cesar Pelli Associates, working within the guidelines produced by the Battery Park City Authority and a Master Plan prepared in 1979 by Cooper, Eckstut Associates, have pulled off a remarkable coup. With tenants like Merrill Lynch and American Express, this World Financial Center, as it is now called, is both a commercial and an architectural success.

To visit Battery Park City today is exhilarating. But a step from Wall Street and unlike the canyon of commerce, it welcomes you with a blast of fresh air and a sweep of esplanade by the water that gives a glorious view of the Statute of Liberty and the Hudson. The whole area covers some 92 acres. The four-towered World Financial Center occupies 9 per cent of the site, 42 per cent is residential, and 30 per cent is open space. The rest of the land is taken up by streets and avenues. The whole development is larger than the Rockefeller Center, it is significant for New York and has valuable lessons for any great city.

The Cooper-Eckstut plan replaced earlier more or less unrealisable plans for the area. The chequered history of the early days of the site is fascinating but, today, it is more useful to examine the achievement on the ground. The plan has one essential and apparently obvious element. It makes Battery Park City a part of the existing pattern of New York.



Glyn Genin

Minutes from Wall Street, the new esplanade on reclaimed land at Battery Park City salutee the sea and gives New York more than a mile of new waterside park

Instead of building an unrelated megastructure or a fantasy town of elevated roads and walkways, the planners have aligned roads and avenues on existing axes, kept streets on the ground and made a world for the pedestrian that feels as though it has already been there. The architectural guidelines laid down by the Battery Park City Authority also relate this development to established New York traditions.

The guidelines are intended to produce high urban standards of design, as well as a sense of an architectural re-weaving of the city fabric. Therefore, the commercial towers designed by Cesar Palli are not standard cigar boxes on end but—as a result of current commercial pressure—large floor areas, some 40,000 sq ft, making for buildings that are wide and tall.

The towers have granite facing that diminishes as the higher parts of the towers turn *into glass. Each tower has a* distinctive silhouette—as the architect said . . . "it is the public who own the silhouette *of any tall building.*" With precedents like the Chryster Building, the tops of the World Financial Center, although varied, are geometrically simple.

The new public space—which will be larger than the inside of the concourse at Grand Central Station—as yet not completed, is the great Winter Garden. This will undoubtedly be one of the great indoor rooms of New York. Steel arches and acres of glass roof will shelter 40-foot-high palm trees, which are already selected and growing in the Ansa-Borrego desert.

A variety of architects and developers have been working on the residential areas within strict guidelines. The rules mean that new streets follow the New *York tradition of buildings* acting as a wall. Colours of materials are carefully contained with an earth-toned palette. The bases of the residences are stone to the third floor, and cornices are insisted upon.

The list of architects is impressive: Charles Moore, Mitchell/Giurgola, Ulrich Franzen, James Polshek and Housing Innovations Inc. The results, however, are curiously dull. The strengths of the housing areas lie much more in the landscaping and commissioned works of art that are all around them. When the whole scheme is finished, perhaps the carefully controlled anonymity of these areas will be read as a background New York vernacular.

Throughout the scheme the landscaping and planting are of a remarkably high standard. Much of it is English-inspired with Jekyll-like beds, designed by landscape gardener Deborah Nevins, full of irises, nepeta, roses and euphorbias against a background of japonica, climbing hydrangeas and evergreens.

At the centre of the residential area there is a new park, Rector Place, where the planting areas are framed by typical New York iron picket fences — defence against dogs as well as vandals. Each street has its own particular type of tree: pear trees, honey locusts and flowering crab apple are planted in strips of cobbles and, as they grow, they may help counter the feeling that the streets are all a little too wide.

In the public realm there is a high-powered arts committee that has selected artists to work on large scale schemes to merge art and architecture. The opening two weeks ago of the *Upper Room* by the artist Ned Smyth revealed a group of palmette columns framing a central *baldachino which is in turn surrounded* by tables for chess players. All in a pinkish aggregate, the work is a strong contrast to the immediately bland surroundings.

Two artists, Scott Burton and Siah Armajani, are completing a great granite plaza outside the World Financial Center *which has as its focal point* a giant torchère that will signal across the water to the flickering light of Liberty. An echo of the former piers will be seen at South Cove on the water where artist Mary Miss has designed jetties and walkways.

There are major public buildings to come—the Holocaust Museum, as part of a museum of the Jewish Heritage, and a major city High School. All this promises to make Battery Park City a civilised, refreshing and stimulating part of Lower Manhattan. In urban planning and landscape terms it is already an immense success and an object lesson for any city that neglects its waterfront or fails to incorporate all the arts alongside the architec-ture.

King's Singers/Wigmore Hall

Max Loppert

"The King's Singers possess easily the broadest, most diverse repertoire of any vocal group," says their publicity. Friday's recital reminded its audience that the stamtement is no more than simple truth. Since the group's formation, nearly 20 years ago, the policy of commissioning important composers has borne an extraordinarily rich and diverse crop of fruit: the point of the concert, which contained none of the King's Singers' more popular musical diversions, was to provide a sample of works commissioned across the period: Berio *(Cries of London)*, Penderecki *(Ecloga VIII)*, Szöllösy, James Wood, and Geoffrey Poole, out of the impressive long roll-call of names listed at the back of the programme.

There were also some *premières for the occasion.* Takemitsu's *Handmade Proverbs*, first given in Tokyo *earlier in the year*, is slight, mild, attractive—at once *haiku*-like in the length of each component part and *soft*-centred in sound and style. More substantial and important were two pieces by Peter Maxwell Davies —*Sea Runes* and *House of Winter—receiving their first* London performances. Both are settings of the composer's longstanding Orkney muse, George Mackay Brown, whose spare, finely chiselled verse here opens a storehouse of "local" images, scenes, and atmospheres.

Sea Runes, the shorter, is deceptively simple, written almost homophonically for most of its length, a gentle, quiet-voiced evocation of Orkney occupations (elder, crofter/fisherman, shopkeeper, fishmonger). In the four-part *House of Winter* the range of picturesque vocal device (including rushing semiquaver storm-scales in the lowest voice) is wider, *the use of poetic repetition and* textured contrast more obvious; yet, here no less, a master's maturity of style and control of means seem to dictate the placing of each note.

The performances of Maxwell Davies, in common with others on Friday, were delivered with the air of showbiz slickness, characteristically King's Singers, *that some find winning and* others off-putting. But, as ever, the blend, accuracy, and pinpoint intonation of the six were of a very high order.

The English bass Forbes Robinson, who died last Friday shortly before his 61st birthday, was one of the substantial talents to emerge from the *opera company resident* at Covent Garden after the war.

His debut was in 1954, and he was soon to become a house stalwart. In the title role of Tippett's *King Priam* (1962), which he created, and as Moses in the British première of Schoenberg's *Moses und Aron* (1965), his dark voice and *authoritative presence* were especially well used, as they were to be in the Welsh National Opera's *Boris Godunov* and *Billy Bud*—Claggart, in the latter opera, was perhaps his finest achievement.

Mumbo Jumbo/Lyric, Hammersmith

Michael Coveney

Rbert Glendinning's exciting and ambitius new play was a worthy joint-winner of the Mobil Playwrighting Competition hosted last year by the Royal Exchange in Manchester. Nicholas Hytner's characteristically tough and well-organised production — note how the Belfast schoolboys rush on *with* their desks at the opening, rather than sit mutely behind them as the lights come up—has been successfully translated to the Lyric's proscenium. There have been one or two cast changes since Manchester last May; chief among them is the replacement of Nigel Stock, sadly deceased, by Alan MacNaughton as the symbolically imperilled Dean — he moves awkwardly on two sticks — of the private boarding school.

The boys are being drilled for a *Founders Day* performance of Vachel Lindsay's Congo poem about the defeat of Mumbo-Jumbo, of religious and political imperialism. The Ulster parallels are inflected through the classroom and the particular story of Barry Dunhum (Michael Grandage) whose sexual awakening coincides *with the graspings of political* identity and the elevation of his father to the bench as a Judge. In recent weeks life has imitated art in the Gibson assassination; after delivering a svelte speech about traditional values at Founders Day, the Judge is shot on his way to court.

The question of identity, national and personal, is at the root of contemporary Irish drama. In the overtly poetical school of Friel and McGuinness, the preference is for apparently remote historical settings; Glendinning joins the Reid school (the unrelated Christina and Graham) of Belfast social realism with the crucial variation of showing a sealed-off home of privilege buckling under pressure from within. As a school drama, *Mumbo Jumbo* is in the slipstream of angry adolescent ensemble plays stretching from Wedekind's *Spring Awakening* through to Barry Reckord's *Skyvers* and Nigel Williams' *Class Enemy*. And it *is as good as any of* them.

As Martin Hoyle observed here last year, there are occasional rough edges but, as he also implied, this is a small price to pay for overall richness. Dunham is a Hamlet figure, an incipient poet (his lyrical yearnings about the girl next door whom he wants to kiss are *offset* against the pounding voodoo rhythms of Lindsay's ritualistic war cry) who pleads with his mother (Anne Lawson) in her bedroom — he wants to become a day boy — and resents his father's solemn assumption of British legal power.

Central to the play is Dunham's complex relationship with the vociferously Orange Creaney (a performance of electrified sensitivity by John Elmes). There are distinct, probably unconscious, echoes here of Melchior and Moritz in Wedekind's play, though a tragic outcome is postponed as Dunham penetrates the wire-mesh fence at home and resolves to study Gaelic history. Mr Grandage charts the changes in Dunham, and his bouts of confusion, with considerable skill and an easy charm.

Mr Tytner has assembled a strong cast of young actors to play the boys. There is, of course, the class know-all on sex, spotty and bespectacled (Gererd O'Hare) and, more originally, a lower form object *of subliminal attractions* who is cast as Ophelia and stuffs his bra with inverted shuttle-cocks while checking the dirty words in Eric Partridge. Little Ian Tucker is outstanding in this role. The school pjlay scenario is hilariously elaborated by Richanda Carey's superior matron, keen on her charges for so long as they are distracted by British school conventions from their tribal backgrounds in Armagh and Ballymena.

The stage is dominated in Mark Thompson's design by black and white blow-ups (sic) of school photographs and cricketers, judges and Ulster Unionists.

Alastair Muir

Michael Grandage (top) and John Elmes

Pygmalion/Plymouth, Broadway

Frank Lipsius

This production of Pygmalion began in March at the Vvonne Arnaud Theatre in Guildford, but escaped before giving the London critics a chance to see it. After the understandably quick getaway, it arrives at the Plymouth on Broadway. With Broadway finally thriving, thanks to the imported musicals, *Les Misérables* and *Starlight Express*, plus the recent opening of Christopher Hampton's wicked and startling *Les Liaisons Dangereuses*, New York was bound to get a production that passes itself off as a modern English interpretation of a classic but which in fact merely lets the actors see what they can get away with.

This *Pygmalion* proclaims its Englishness in an old-fashioned way that contradicts the imaginative, fresh vibrancy of the Royal Shakespeare Company origins of both *Les Misérables* and *Les Liaisons Dangereuses*. Director Val May has assembled an eye-catching group of actors without knitting them into an ensemble or capturing Shaw's good-spirited, practical sensibility.

Surely, Henry Higgins avoids at-homes and small talk because *he is above them and his awkwardness is the manner of the* intellectual, not the inept buffoon. Yet in his mother's parlour, he juggles teacups in a funny but silly way that is farce, something to be expected *of Freddy Eynsford Hill, not* down-to-earth, serious Professor Higgins.

It is part of Peter O'Toole going through the motions of a role he seems thoroughly bored with after playing it three years ago at the Shaftesbury in London. The character should take most seriously the articulation of speech, but *O'Toole treats* his lines like bubble gum to be rolled around in the mouth. He roars most of the time, then whispers incomprehensibly. He proves he can use his lungs like a bellows but not that he thinks much of what he is saying. He rarely makes eye contact with another character until well into the third act when he splutters out his feelings for Eliza.

Amanda Plummer would need more than a speech therapist to make her suitable as Eliza. Her timidity, perhaps a throwback to her original Broadway role as the naive novitiate in *Agnes of God*, overpowers the *transformation* she is supposed to experience at the hands of Professor Higgins. She never rises above practising her high-spoken English, as though as an American she is intimidated by those in the cast whose accents started closer to Shaw's original. She also has a slight lisp; so her pronunciation never gets perfect or natural, a major failing when she is supposed to have *mastered her lessons.*

Far from a dignified colonial officer, Lionel Jeffries makes Colonel Pickering into a bug-eyed silly old man in plus-fours, who gets in almost as much of a flap over Higgins' treatment of Eliza as the girl herself does. In contrast, John Mills underplays Alfred Doolittle so that *one of* Shaw's funniest characters appears more sardonic than comic.

Americans have a special affection for *Pygmalion* because of its inspiration for the ever-popular Lerner and Loewe musical *My Fair Lady*. The play is rarely revived since theatre-goers prefer the happy ending of the adaptation. But for that reason a straightforward interpretation, with the characters reflecting Shaw's intentions without being bored or overwhelmed by the familiarity of it all would have been far preferable to this *self*-indulgence.

The one character played with simple and affecting honesty is Dora Bryan's Mrs Pearce, the housekeeper. She is a solid, sensible woman who can deal with both the antics of her boss and the educational needs of her new charge. Douglas Heap's sets with their bright Edwardian sunshine and fresh-looking old-fashioned comfort give a backdrop that would have perfectly suited a production for Americans to bring out and not hide Shaw's original.

Fischer-Dieskau/Elizabeth Hall

Max Loppert

At the third and last of his "Festival of German Arts" recitals, Dietrich Fischer-Dieskau sang 19 of Wolf's songs on poems by Eduard Mörike. A Fischer-Dieskau Wolf concert has always been one of the most elevated, concentrated demonstrations of the Lieder-singer's art. So it remained last Thursday.

Perhaps, indeed, even more so than in past London recitals, now that the voice has dried and lost some of its bloom while yet retaining a very wide working range and, no less important, an inimitable (though, sadly, far too often imitated) gift of micro-suggestion through tonal and verbal shading. Details of depiction are made more glancingly light and pointedly sure than ever, the control of means more apparently effortless (so that when, in "Peregrina I und II," high-lying lines caused moments of strain and even near-shouting, one could use them as a standard of measurement for the easy mastery of the rest) The partnership with Hartmut Höll at the piano had a marvellous quality of relaxed, instinctive communication—in comic songs such as the tiny, exquisitely painful "Bei einer Trauung" or the closing "Abschied," the impulses moving freely between voice and piano and climaxing in the piano postlude were mutually inspired, and single in their working.

Beyond the point where his vast quantity of artistic excellences can be generally agreed upon, reaction to this great singer has always been intensely personal, and not without controversy. On Thursday I surrendered more than ever before to the sweeping imaginative command of his insight into Wolf, while at the same time withdrawing — at a certain point in certain songs not always easy to pinpoint — when the feeling of being too smoothly and confidently manipulated began to make itself felt. A performance such as that of the hair-raising "Feuerreiter" is a case in point: how infinite the tones of terror immediate and gradually withdrawn into recollection; how finely a glazed light of unease came into both voice and eye as the skeleton complete with cap was recounted; but how stage-managed it all began to sound!

The most complete successes, the Fischer-Dieskau Lied distillations that will leave an indelible memory residue, were perhaps those in songs of apparently light humour. "Fussreise" was one such, tripped off over the dotted rhythmic patter with an exquisitely courtly and affectionate gracing of the text.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 15–21

Music

ITALY

Milan: Teatro Alla Scala: the pianist Murray Perahia: Mozart, Schumann and Beethoven (Mon). (80 91 26).

Florence: Teatro Communale: BBC Symphony Orchestra conducted by Jurij Temirkanov: Tchaikovsky, Prokofiev and Britten (Thur). (277 9236).

Rome: Teatro Olimpico (Piazza Gentile da Fabriano): Richard Stoltzman (clarinet) and Richard Goode (piano). Weber, Mozart and Stravinsky (Wed). (393 304).

Rome: Chiese di S. Agnese in Agone (Piazza Navona): Gonfalone chamber orchestra playing the second part of Vivaldi's La Stravenganza with the violinist Pasquale Pellegrino (Thur). (68 75 952).

Rome: Oratorium in via Della Conciliazione: (Mon and Tue). Vladimir Spivakov conducts the S. Cecilia Orchestra and soprano Magda Nador singing Mozart arias. (654 1044).

VIENNA

Alicia de Larrocha, piano. Beethoven, Turina, Granados. Musikverein. (Mon).

Vienna Chamber Orchestra conducted by Peter Schneider with Montserrat Caballe, Maria Gallego, Gabriele Sima, Grace Bumbry, David Rendall. Gluck's Telemaco. Konzerthaus (Tue).

Los Angeles Philharmonic Orchestra conducted by Andre Previn. Previn, Debussy, Ravel. Konzerthaus (Wed); Schoenberg, Korngold, R. Strauss. Konzerthaus (Thur).

NETHERLANDS

Amsterdam, Concertgebouw. Wilfried Boettcher conducting the Netherlands Philharmonic, with Rudolf Buchbinder, piano: Beethoven (Tue). (71 83 45).

Utrecht, Vredenburg. Handel's Jephtha sung by the choir of the Utrecht Oratorio Society, with instrumental ensemble and soloists, conducted by Johan van de Camp (Wed). Wilfried Boettcher conducting the Netherlands Philharmonic, with Rudolf Buchbinder, piano: Beethoven (Thur). Recital Hall: Viktor Liberman, violin, and Alexander Warenberg, piano: Beethoven (Tue). (31 45 44).

Rotterdam, Doelen. James Galway, flute, with the Berliner Festival Trio: Beethoven, Mozart (Tue). (414 29 11).

LONDON

Polish Chamber Orchestra directed by Iona Brown, violin with Jan Stanienda, violin. Bach, Britten and Tchaikovsky. Barbican Hall (Mon). (638 8891).

Maurizio Pollini, piano. Beethoven. Royal Festival Hall (Mon). (928 3191).

London Mozart Players conducted by Jane Glover, with John Lill, piano and Allen Handy, trumpet. Beethoven, Shostakovich, Stravinsky and Haydn. Royal Festival Hall (Wed).

London Bach Society and Steinitz Bach Players conducted by Paul Steinitz with soloists including Patrizia Kwella and Dame Janet Baker. Handel, Bach and Glasser. Queen Elizabeth Hall (Wed). (928 3191).

London Symphony Orchestra conducted by Leonard Slatkin with Mi Dori, violin. Rossini, Paganini and Prokofiev. Barbican Hall (Thur).

Royal Philharmonic Orchestra conducted by Vernon Handley with Mitsuko Uchida, piano. Borodin, Rachmaninov and Stravinsky. Royal Festival Hall (Thur).

Lontano: Messiaen Quartet for the End of Time and some first British performances. Queen Elizabeth Hall (Thur).

PARIS

Bavarian Radio Orchestra conducted by Sir Colin Davis: Beethoven, Mozart (Mon). TMP-Chatelet (4233 4444).

Montserrat Caballe, soprano, Miguel Zanotti, piano (Mon). Theatre de L'Athenée (4742 6727).

Alfred Brendel, piano. Schubert (Tue). Salle Pleyel (4563 0796).

Gerard Souzay, baritone, Dalton Baldwin, piano: Operatic arias and French vocal music (Mon). Salle Gaveau (4562 6971).

Orchestra and Choir Paul Kuentz, Maurice Andre, trumpet: Albinoni, Hertel, Scarlatti, Vivaldi, Corelli (Tue). Saint-Severin Church (4563 7955).

Trio Risler – piano, violin, cello: Schumann, Ravel, Lalo (Tue 12.30am), Schumann, Chausson, Lano (Thur 6.30pm). Both concerts at the Musée d'Orsay covered by the museum's entrance fee (4549 4814 ext 4389).

Ensemble Orchestral de Paris conducted by Erich Bergel, Manahem Pressler, piano, Christian Crenne, violin solo: Enesco, Beethoven, Mozart (Tue, Wed). Auditorium des Halles (4563 6873).

Co-production Orchestre de Paris and Ensemble Intercontemporain, Pierre Boulez conductor, Daniel Barenboim conductor and piano, Celina Lindsley, soprano: Stravinsky, Strauss, Schoenberg (Wed, Thur). *Salle Pleyel* (4563 0796).

TOKYO

Rostropovich, cello. Beethoven, Prokofiev, Tchaikovsky, Rostropovich. Tokyo Bunka Kaikan Recital Hall. (Mon). (573 3588; 262 7141).

Amsterdam Loeki Stardust Quartet. Concert of 16th-18th century European music. Ishibashi Memorial Hall (Mon). (237 9990).

Tokyo Philharmonic Orchestra conducted by Tadaaki Otaka. Brahms, Sibelius. Tokyo Bunka Kaikan. (Tue). (237 9990).

Maria Tipo, piano. Scarlatti, Mozart, Schumann. Tokyo Bunka Kaikan *Recital Hall* (Wed). (235 1661).

Tokyo Symphony Orchestra, conductor, Yuzo Toyama, with Michie Koyame, piano. Mozart, Prokofiev. Tokyo Bunka Kaikan (Wed). (362 6764).

Japan Philharmonic Orchestra conducted by Ivan Fischer, Kumi Ogana, piano. Glinka, Rachmaninov, Stravinsky. (Thur). (234 5911).

Traditional Japanese music: Shamisen recital of music and song popular in Edo period (17th-19th century by Masumi Kai. Dai-ichi Seimei Hall, Hibiya, near Ginza (Wed).

NEW YORK

Carnegie Hall: Chicago Symphony. Sir Georg Solti conducting. Mahler (Mon). Strauss, Stravinsky (Tue), Haydn, Bruckner (Wed). (247 7800).

Juilliard *Concerts (IBM Gallery): Guidonian* Trio. Clarinet trios by Beethoven, Brahms (Wed, 12.30). 56th & Madison.

New York Philharmonic (Avery Fisher Hall) Giuseppe Sinopoli conducting, Gidon Kremer violin. Gabrieli, Berg, Schumann (Tue); Giuseppe Sinopoli conducting, Rosalind Plowright soprano. Ravel, Berlioz, Scriabin (Thur). *Lincoln Center* (874 2424).

WASHINGTON

National Symphony (Concert Hall): Rafael Fruhbeck de Burgos conducting, Birgit Finnilae contralto. Mahler (Tue). Kennedy Center (254 3776).

CHICAGO

Yo-Yo Ma (Orchestra Hall): Cello recital. Mixed programme (Thur). (485 8111).

Saleroom/Antony Thorncroft

The last of Mozart

The highlight of the week must be the sale at Sotheby's on Friday of the manuscripts of nine symphonies by Mozart in the composer's own boyish hand. They were written in the 1770s when Mozart was in his teens and are probably the most important musical manuscripts to be auctioned this century.

All the other manuscripts of his symphonies are already in public collections and, although it is hard to estimate values in a field where there are so few collectors, Sotheby's is surely being very cautious in its forecast of £1m-plus for the lot. Three of the symphonies are regularly performed, especially the Symphony No. 29 in A Major.

The auction starts on Thursday and also includes the recently rediscovered manuscript of Mahler's third movement to his Second Symphony (estimate around £60,000), and the draft libretto of Meyerbeer's most famous opera, *Les Huguenots*. It carries an estimate of up to £200,000.

Apart from music the sale contains mementoes of artists, including a receipt from Michelangelo concerning his work on the tomb of Pope Julius II; four early letters by Monet; and a *rare letter by Claude. Writers* are represented by eight pages of *Thérèse*, a lost comedy by Voltaire, and almost a 100 letters by Nabokov.

Also at Sotheby's on Thursday is a jewellery sale which includes yet another Windsor jewel, an ivory, sapphire and diamond clip by Cartier in the form of a carnation which has been sent for auction by Mrs Onagh Shanley, the Duke of Windsor's nurse in his last illness. She was with him when he died. The clip carries a top estimate of £4,000, but after the exceptional prices paid in Geneva for the Duchess's jewels, it should fetch much more.

In the same auction Sotheby's is offering over 30 pieces by the 19th century jewellery designer Carlo Guiliano and his sons. They have become very fashionable recently, with their historical references to Roman, Egyptian and Renaissance motifs. Through their appeal jewellery is bought for its appearance rather than for the value of the gems it incorporates.

At Christie's on Wednesday *the trustees of the Knole Estates* are selling on behalf of Lord Sackville a set of four silver gilt wine coolers by Paul Storr, which should make £100,000. In all, the family hopes to raise up to £400,000 from surplus silver.

Bonhams makes a habit of holding auctions to coincide with events in London's social calendar. On Thursday evening it is selling paintings, garden ornaments, porcelain with botanical decorations, and floral jewellery linked to the Chelsea Flower Show.

FINANCIAL TIMES

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Monday May 18 1987

Doubts on the missile deal

IN THEORY, the Euromissile deal being proposed by the Soviet Union should be regarded as the complete vindication of the arms control strategy behind Nato's deployment of cruise and Pershing II missiles. Instead, it is turning into an issue of serious contention between the European members of the alliance, to the point where it is now less certain that any agreement can be reached. If an agreement is reached, however, it seems certain to provoke a major review, in Nato and in Germany, on the military arrangements which are now required to sustain the credibility of nuclear deterrence in Europe.

The Alliance initiated deployment of its new weapons in 1979, ostensibly in response to the Soviet deployment of SS 20 missiles and in the hope of negotiating a reciprocal reduction on both sides. But after Europe had gone through the political traumas surrounding the abortive Geneva negotiations in 1981-83, and the first deployments, the generals discovered real virtues in the new systems, which could strike long-range military targets from well behind the front line.

Clean sweep

When Mr Gorbachev proposed earlier this year that the two superpowers should eliminate from Europe all Soviet SS 20s and all American cruise and Pershing II missiles, a number of European governments began to be anxious that this might be the beginning of the denuclearisation of Europe. And yet the proposal looked almost impossible to refuse, because it corresponded so closely to the long-standing "Zero Option" tabled by Nato itself in 1981. in the belief that the Soviet Union would never accept it.

Anxieties in some European countries became more acute when Mr Gorbachev offered to enlarge the category of missiles destined for elimination, by including those of shorter range (500-1,000 km), as well as those of longer (1,000-5,000 km). In both cases a clean sweep would remove significantly more Soviet than Nato warheads; but the net effect would be to focus more attention on very short-range nuclear weapons the effects of which would be limited to Germany, and on the Soviet superiority in conventional weapons.

The Alliance has not yet decided collectively whether to accept the Gorbachev offer in principle, and will probably not do so until the Nato foreign ministers meet in Iceland early next month. Yet the consultation process, which included a meeting of defence ministers last week, is already precipitating a good deal of disarray.

The US Government has let it be known that it is prepared to go along with the Gorbachev offer, and the British Government, in a premature fit of openness, has publicly said as much. But Nato's generals have made it clear that, if the cruise and Pershing II missiles are removed, something else would be needed to maintain deterrence; they may be right, but it seems irrational, and may be politically difficult, to go through the motions of an arms control agreement, only to offset it with some new and different weapons.

Real purpose

In the last resort, the western decision will depend on West Germany. Yet the Bonn coalition is deeply split, with the Christian Democrats opposing and the Liberals supporting a Euromissile deal; a resolution of the dispute is not expected before the end of the month. Last week Chancellor Helmut Kohl insisted that any agreement on shorter range weapons should include all such weapons, down to a range of nothing, presumably in the hope that this stipulation would block agreement.

Mr Gorbachev would have us believe that his intentions are entirely friendly; perhaps they are; but the trouble with his Euromissile offer is its political ambivalence. The Alliance needs to test his concilatory posture; and even if the generals have some misgivings, the verification methods needed to monitor the destruction of Euromissiles would put his policy to the proof. Yet it is not really surprising that some people in West Germany are reluctant to take him at his word, and fear that his real purpose is to denuclearise Europe, divide it from the US, and dominate it with superior conventional forces.

Airbus financing demands prudence

BRITISH AEROSPACE shareholders must be wishing that an election was looming every time the company was facing a costly investment programme, judging by the Government's generous response to its request for launch aid for the next generation of European airbuses.

Not only has the Government raised its previous offer by £50m to £450m, but it has also dropped plans to make part of the launch aid a fixed loan: now, the entire sum will be repayable as a levy on future A330/340 sales. BAe, for its part, will be required to commit no funds of its own until after 1990. by when revenues from sales of the Airbus A320 should be rolling in.

Given BAe's insistence that 10,000 jobs hang on the A330/340 programme, short-term political considerations appear to have carried the day. By any other measure, the logic of the Government's largesse is hard to fathom. BAe is a cash-rich company which could easily afford to shoulder more of the burden itself. Indeed, it was privatised precisely to enable it to assume greater commercial risks.

Risky strategy

This is not to say that there is no case at all for a subsidy. Without some initial Government support, European aircraft makers would be hard put to finance the massive costs of developing a new generation of airbuses. Furthermore, the success of the A-320, which has won more than 400 orders, shows that the programme can be commercially — if not yet financially — viable.

The issue is the form and conditions in which subsidies are provided at a moment when competition between civil aircraft makers is growing steadily fiercer. Just how fierce was underlined earlier this month, when Boeing agreed to lend United Airlines $700m to help it finance the purchase of 36 airliners.

The decision by McDonnell Douglas of the US to proceed with its MD-11 long-range airliner, due for delivery by 1990, signals still rougher going ahead. The MD-11 will compete directly in a relatively narrow market niche with the A340, which is not due to go on sale until 1992 at the earliest. Repeated efforts by McDonnell Douglas and Airbus to bury their rivalry in a collaborative deal have ended in failure.

Faced with these uncertainties, both the French and West German governments have continued to hesitate over requests by their national industries for launch aid for the A330/340. Bonn's decision is further complicated by the financial difficulties of Deutsche Airbus, the German partner in the consortium, which have been aggravated by the strength of the D-Mark.

The likelihood remains, none the less, that both governments will agree to inject more cash. As the UK has argued, the provision of firm initial financing would enhance the commercial credibility of the A330/340 programme and could also enable Airbus to reactivate its stalled negotiations on collaboration with McDonnell Douglas from a position of strength.

There is some validity in this suggestion. However, it implies a high-risk strategy. For if McDonnell Douglas refused to play ball, Airbus and its backers could easily find themselves plunged headlong into a cut-throat sales battle from which all the contestants would emerge as losers.

If European governments intend to play for high stakes with public money, it is imperative that the odds be spelled out clearly from the outset. The secrecy which shrouds the national subsidies provided to the Airbus member companies, and the accounts of the consortium itself, needs to be stripped away so that taxpayers know more precisely how their money is being spent.

Commercial disciplines

Even more important, closer co-ordination is needed between European governments to ensure that subsidies are kept to a minimum and used to maximum efficiency. Airbus member companies should be required to invest their own funds in new projects right from the start and to assume full responsibility for them as rapidly as possible. Given the huge risks confronting the next phase of the Airbus programme, prudence argues for exposing it to more — not fewer — commercial disciplines.

The West European defence industry

MONOPOLY – THE RULE, NOT THE EXCEPTION

	AIRFRAME MAKERS: fixed-wing & helicopters	AERO-ENGINE:	TANKS:	SURFACE SHIPS:	SUBMARINES:	MISSILES:	ELECTRONICS:
UK	British Aerospace Westland	Rolls-Royce	Vickers	Swan Hunter Yarrow Harland & Wolff Vosper Thornycroft	VSEL	British Aerospace Short Brothers	Plessey GEC Racal Ferranti Thorn-EMI
France	Dassault-Breguet Aerospatiale	Snecma	GIAT	Directions des Constructions Navales CNM Cherbourg Dubigeon	Directions des Constructions Navales	Aerospatiale Matra	Thomson-CSF Electronique Serge Dassault
W Germany	MBB	MTU	Krauss-Maffei Krupp MAK	Blohm und Voss Howaldtswerke Deutsche Werft	Howaldtswerke Deutsche Werft Thyssen	MBB	AEG Siemens

A vision of an entente militaire

By David Buchan, Defence Correspondent

ONE OF THE most unlikely joint conferences is to take place in London later this year. British and French defence ministry officials will be addressing defence industry executives from both countries.

They will outline their respective governments' army procurement plans for the next few years, and then invite companies from both countries to bid for the forthcoming contracts.

It strains belief—this prospect of the two countries with the largest, but most self-centred military procurement in Europe opening their markets to each other.

The series of annual Anglo-French procurement conferences—to focus on naval and air programmes in the succeeding two years—is the brainchild of Mr Peter Levene, brought in as "Mr Competition" two years ago to be chief of defence procurement in the UK Defence Ministry. But its ready acceptance by France is a further sign of that country's conversion, under Mr Andre Giraud, its new Defence Minister, towards international collaboration.

Wider steps are also being taken towards deregulation of that most internationally fragmented and nationally protected of sectors, the $50bn-a-year European defence industry. The 13 European members of Nato which make up the Independent European Programme Group (IEPG), commissioned in 1985 a study from some "wise men" led by Mr Henk Vredeling, a former EC Commissioner and Dutch Defence Minister. Earlier this year it issued its blueprint for a common arms market, a kind of military version of the EC. Next month defence ministers of the 13 IEPG countries are due to deliver their verdict.

Recent events do not portend well for defence equipment collaboration, particularly at the European level. West Germany, Britain and Italy spent several years and some $400m trying to develop jointly the SP-70 gun, but in January announced they would go their separate ways. Lest month the British Government, in the context of its rescue package for Westland, the UK helicopter maker, pulled out of the NH-90 European collaborative helicopter project, though at the same time it strengthened bilateral co-operation with Italy on helicopters.

It is also the case that most of the new collaborative projects being signed this year include the US, in order to take advantage of Congressional funding, at the initiative of Senator Sam Nunn, for joint development of military equipment within Nato.

But there are some deeper forces driving forward a more collaborative mood in Europe. First is the perceived need for a clearer European voice on security issues. These issues mainly concern arms control and the effect on Europe of superpower negotiations. But there is an underlying realisation that the best foundation for a greater Euro-defence effort lies in the mundane realm of industrial co-operation.

The second factor, of longer standing, is European awareness of the danger of falling behind the US in military technology. The consequence of technical de-coupling from the US is seen to be all the worse in an era of possible political de-coupling from the US.

Security concerns are forcing a more collaborative mood

Therefore, it is argued, European members of Nato must make more rational use of the $8bn they spend each year on military research and development (about one-third of the US level). The new Anglo-French entente militaire is significant in that the two countries account for two-thirds of what all Europeans spend on military R and D.

In its May 6 defence white paper, the UK Government pledged to reduce unnecessary R and D spending through greater collaboration.

A third, and related, factor is the need to get more bang from the same amount of bucks. In the late 1980s, only France and West Germany are coming near the 3 per cent annual increases in defence spending, which a number of European countries, including Britain, achieved in the early and mid-1980s.

With the continuing tendency of the technology in new weapon systems to double in cost every generation, overheads need to be spread over the longest possible production runs. It was no accident that in recent years France was the European country both least interested in defence collaboration with its allies and most successful in exporting arms. Last year French arms export orders plummeted to FFr 25bn, from FFr 42bn in 1985.

One outsider — the US — remains very alert to trends in European defence collaboration. So far Washington has turned a benevolent eye on the IEPG, and has accepted, even added to, the general rhetoric about the importance of the IEPG strengthening the "European Pillar" of the alliance.

But, the Pentagon and the US defence industry is bristling at one aspect of one major Euro-arms project outside the IEPG framework—the £10bn European Fighter Aircraft (Efa) being built by Britain, West Germany, Italy and Spain.

The Efa consortium has stipulated that it wants freely exportable components in the aircraft. which may rule out a bid by Hughes of the US to supply the radar because of the extra-territorial reach of American trade controls. This stipulation has already been called protectionist by the Pentagon, and if it eventually puts Hughes out of the running, it may occasion one of those transatlantic rows all too common in civil trade.

The irony is that many individual European countries are still more open to buying from the US than from each other. This is not surprising. Long after the immediate post-war period when much of Europe made weapons under US licence, the US is still the place to go shopping for sophisticated equipment (like Awacs aircraft) which European nations cannot develop by themselves.

But the European defence industry is further hampered by being far more compartmentalised than its civil sister. Britain and France fill roughly 95 per cent of their military hardware needs from their own companies. Governments in both countries have tended to regard it as inconceivable, in political-industrial terms, to buy more than 5 per cent of what they need from abroad. The qualification to this, however, is that 15 per cent of what the UK Ministry of Defence buys each year comes from UK companies working in conjunction with foreign partners, and that share, say MoD officials, could rise to 30-40 per cent by the mid-1990s. The collaborative share in French procurement is somewhat smaller, but if the present attitude in Paris holds, it should rise too.

Other Europeans are far less autarkic. West Germany, whose defence industry was effectively outlawed from 1945 to 1955, imports 15-20 per cent of its needs, buys 20-25 per cent from German companies alone and the rest from German companies in foreign partnership on a given project. This is a matter of choice.

Change is in the wind. The Vredeling report has proposed "a degree of cross-boundary trading and of common activity between European industries and between European governments which go well beyond what has been contemplated to date." Instead of just preaching the virtues of collaboration, the report stresses the need for a more open, competitive market.

Collaboration and competition do not necessarily go together. Indeed, although collaboration provides, or should provide, savings in R & D, if not production, it can act as a damper on competition. The share of work that a company gets in a collaborative project is, in the last resort, determined by the amount of money its government is putting into the project and the amount of military hardware its government is getting out of that project, rather than a company's relative skills and competitiveness.

The way forward, suggests the Vredeling report, is for more European collaborative projects to be awarded on the basis of fixed price bids by rival international consortia, each with a company from each of the participating countries. Individual companies would lose out, but nations would not. Competition would always be preserved for the future. The report is, in short, a vision of the American style of competitive contracting operating in a collaborative market approaching the scale of the US.

For this model to work, however, requires, first, a similarly diverse industrial structure in individual European countries to allow such competition, and second, a common view of the merits of competition. It is not clear either exists.

European nations must get better value for money

The three largest European countries have each one main military airframe maker (British Aerospace, Dassault, MBB), one aero-engine maker (Rolls-Royce, Snecma, MTU), and one main tank maker (Vickers, Giat, Krauss-Maffei). They vary a bit in the structure their naval industry—the UK has one submarine builder (VSEL), Germany two (HDW and Thyssen), while all three can turn to several surface ship makers of their own.

In missiles, France actually has some competition (between Aerospatiale and Matra—both state-owned), Germany has a virtual monopoly (in the hands of MBB), while in the UK competition may have been significantly diminished now with BAe's acquisition of Royal Ordnance.

But in defence electronics, the big growth area in recent years, the structural difference is significant. The UK has GEC, Plessey, Racal, Ferranti, Thorn-EMI, Germany has AEG and Siemens, and France has effectively only Thomson-CSF with Electronique Serge Dassault (ESD) as a minor player.

The upshot is that UK electronics companies complain that Thomson-CSF is present, in various guises, in every European collaborative consortium involving France, reducing competition to a farce. Thomson, for its part, complains it always gets a different UK partner to work with and can never build up a lasting relationship across the Channel.

It may be that the coalescing process has gone too far already in all European countries for true competition. After all, even the five main UK defence electronics companies tend to have certain defence niches

But there are also markedly differing attitudes in London, Paris and Bonn about the merits of trying to preserve existing competition and to create new competition. For instance, the French regard the UK MoD's blocking of last year's proposed GEC takeover of Plessey as crazy from the viewpoint of the UK, though welcome to a foreign rival like Thomson-CSF.

Bonn claims to be more concerned about competition. The share of prime contracts going to the top 10 German defence contractors rose only slightly from 32.5 per cent in 1980 to 34.2 per cent in 1985. But since then, in what one German MoD official calls "the elephant's wedding," Daimler-Benz has taken over Dornier, the maker of small aircraft, and AEG. That group, together with the Bavarian empire of MBB, now dominates German defence contracting.

All three governments are pursuing the same goal of getting better value for money in defence, and they all claim certain successes in this. But the UK and Germany use competition, wherever possible, to give them the best value; both governments now let more than 60 per cent of defence contracts on a competitive basis. The French Government, for its part, still relies mainly on close inspection and supervision by its large defence bureaucracy as the discipline on its defence contractors.

Europe is thus still divided on the need, let alone the feasibility, of competition in defence contracting. Until a common European view of defence competition is reached, the IEPG vision of a common European arms market may turn out to be a mirage.

Men and Matters

Live wire to Europe

The National Association of Securities Dealers, the regulatory body for NASDAQ, the rapidly-growing US electronic stock exchange, has poached a top City of London official to spearhead its drive into Europe.

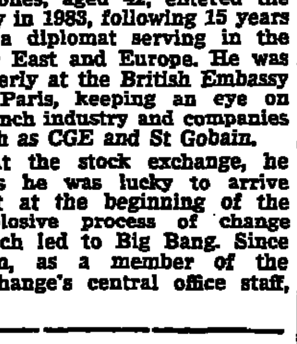
Lynton Jones, head of public affairs at the London Stock Exchange, will be NASD's new European executive director, charged in particular with the job of persuading European companies to go to NASDAQ when they want a public quotation in America.

Jones, aged 42, entered the City in 1983, following 15 years as a diplomat serving in the Far East and Europe. He was latterly at the British Embassy in Paris, keeping an eye on French industry and companies such as CGE and St Gobain.

At the stock exchange, he says he was lucky to arrive just at the beginning of the explosive process of change which led to Big Bang. Since then, as a member of the exchange's central office staff, he has had a good view of the start of electronic trading in London—a development which first brought him into contact with NASDAQ, the world's leading electronic exchange, which trades more than 5,200 securities.

Even without permanent European representation, NASDAQ has been quite successful up to now in attracting European companies in competition with the larger and longer-established New York Stock Exchange.

Jones thinks there are big opportunities for further growth as the trend towards internationalisation in the securities markets accelerates. "I expect to be spending quite a lot of my time seeing potential customers on the Continent," he says.



"Ex-MP? You're too old for YTS but it's not too late for a Skill Centre"

Talking nuclear

The UK Atomic Energy Authority is making a senior scientist responsible for communications inside and outside the research body in a determined bid to raise the standard and status of its public relations.

John Collier, the authority's new chairman, has picked John Gittus as director of communications and information from next September.

Gittus will report directly to his chairman, thus giving unprecedented power to the authority's public relations arm.

Gittus, aged 56, is a metallurgist. His scientific record includes the invention of some of the toughest alloys used in Rolls-Royce aero engines.

He is currently the director of safety and reliability—a role which includes advising the Royal Navy on the safety of its submarine reactors.

The Russian Chernobyl nuclear reactor disaster a year ago brought him to the attention of the AEA top management when, "they discovered that I could explain some of the more complicated things in ways that could be understood." After Chernobyl he became a familiar face on television.

Gittus says he has always been keen on lecturing—"not only to scientists"—as well as exercising his histrionic talents by performing in Gilbert and Sullivan operettas.

After 27 years in the nuclear industry he candidly says it is being far too defensive in public debate. "You can spend far too much time rebutting cockeyed arguments."

Flower power

A British company is making a capital investment that might upstage the Labour Party and its famous red rose with a blue rose for Tory lapels.

Twyford International, a British-based biotechnology company specialising in new plant species, says that the blue rose is one target of a new £6m research investment in Cambridge.

Not a big target, perhaps 10 per cent of the total effort, says Ken Giles, Twyford's research vice president, making it plain that his main goals are genetic methods of protecting crops against diseases which cost the world's farmers about £12m a year at present.

Nevertheless, Giles sees the fact that there are no blue cut flowers sold at present as a genuine commercial challenge for Twyford, a former Guinness laboratory. He has done enough research to say it is a realistic goal for perhaps five popular flowers—the rose, chrysanthemum, carnation, lily, and gerbera.

As he describes it, the challenge is simply to find an enzyme that will change the red colour of the rose to a blue colour. If he finds one it should be possible to engineer a blue rose by changing just a single gene.

How soon? Not in time for the forthcoming election, I understand, but perhaps in time for the next one.

City angels

"Serious Money," the enormously successful satire of the City and Big Bang at the Royal Court Theatre, is itself on the way to becoming serious business.

The Royal Court is transferring the production to the West End for a 17-week run shortly, and has been sounding out potential investors to finance the move.

Caryl Churchill, the author of the play, tells me that they are looking for a total of about £130,000, of which well over half has already been raised. Investors are being asked to subscribe £1,000 units.

I can't imagine her having much trouble completing the finance. "Serious Money" has become the talk of the City.

Several financial houses have taken block bookings, and one prominent City figure reckons he has been responsible for filling 200 seats.

Sustained growth

Roy Hattersley, the Labour party's deputy leader, obviously felt at home at the weekend when he addressed the conference of the ASTMS white collar union in Cardiff, Wales.

He revealed that he and Clive Jenkins, the union's general secretary, had first crossed paths as "dewy-eyed, slim-hipped" activists in the union more than 20 years ago.

"Much has changed since then," Hattersley admitted.

Observer

MICHAEL is in trouble. A 20-year-old apprentice fitter at the General Blumenthal coal mine in the north Ruhr city of Recklinghausen, he says a friend who failed to get on the course has given up trying to find work and has joined the army.

What scares Michael is not the army but the wholly new notion that although he has a coveted place in the General Blumenthal school, he can no longer be guaranteed a job in the industry for the rest of his life. "Our coal is too expensive," he says with disarming honesty, "and we can import it much cheaper."

Michael is lucky that he has not got in too deep, so to speak. A whole generation of West German miners ahead of him, men in their 30s and 40s were once assured by Government, union and employer that they would never be sacked. Now that can no longer be true.

West Germany's miners are scared and angry. Harry Mutmann, recently re-elected to the General Blumenthal works council with the highest number of votes, describes the mood there with an unprintable German 10-letter word. "And it's the same at other pits," he adds.

General Blumenthal is part of the huge Ruhrkohle "empire." It is a large mine in one of Ruhrkohle's three coalfields which together produced around 56m tonnes of hard (deep-mined) coal last year, nearly three quarters of West German output.

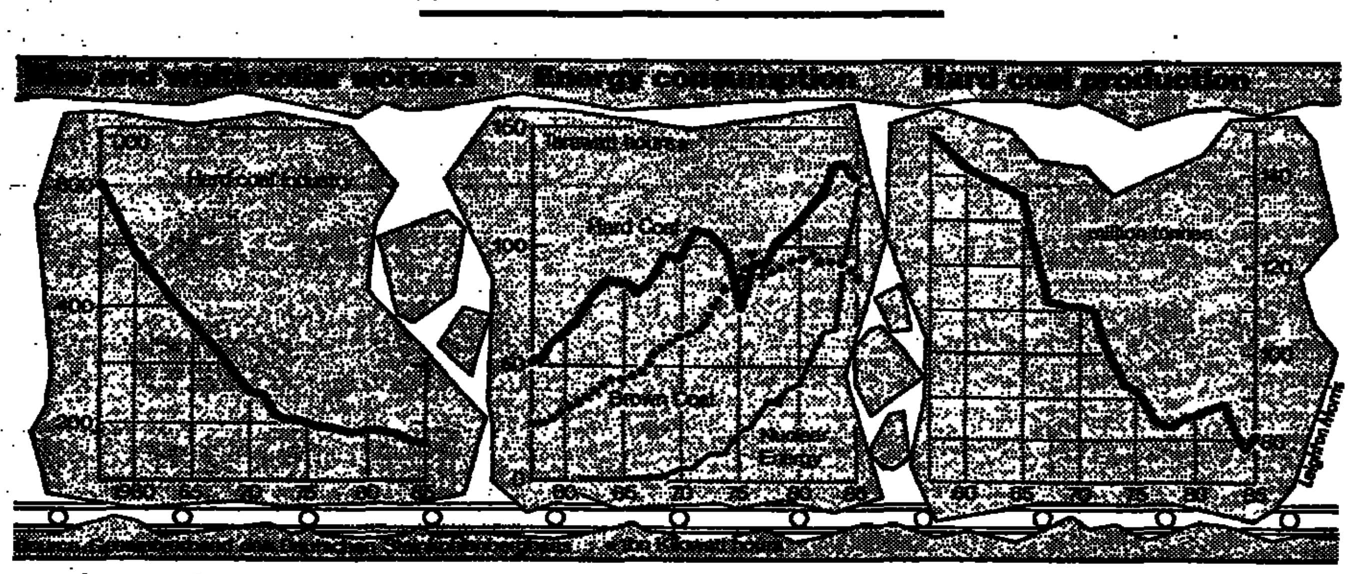
About 40 mines were merged into Ruhrkohle in 1969 when, under the grand coalition of Christian and Social Democrats in Bonn, the West Germans first set down a comprehensive policy of energy. The major shareholders were the steel producers and power utilities that "gave up" the mines.

A few independents like the chemicals company, BASF and Belgium's Arbed continue to mine in the Ruhr fields, which are supplemented by a big field in the Saarland, near the French border, and smaller ones near Aachen and at Ibbenbueren, north of the Ruhr.

The industry's consolidation bears the stamp of the Social Democrats, who first came into government in West Germany through the grand coalition. The idea was to strengthen and secure the supply of coal and make it easier for miners to keep working. If one pit closed, the miners would transfer to others.

It has worked like that, in a way, for 18 years. In that time, total West German output has fallen from 111.6m tonnes to 81m tonnes last year. Hard coal's share of total national energy usage has fallen from 32 per cent to 20 per cent. Its contribution to electricity output has dropped from 42 per cent to 31 per cent.

WEST GERMAN COAL



Old friendships burn low

By Peter Bruce

The number of miners has shrunk to 164,000 from about 255,000 in 1969 but not one person has been forced on to the dole queue. An early retirement plan operates for workers over 50 and youngers workers are transferred to other mines when theirs closes. I. G. Bergbau und Energie, the miners' union, says nearly a third of its members in the Ruhr travel more than 15 miles to work each day.

The problem now is that there are few older workers left in the industry, while demand for even greater rationalisation is growing. "The average age in the industry is 35," says Christoph Meer-Leyh, an I.G. Bergbau official, "and in some mines it's 29."

West Germans are sentimental about coal. As pressure on jobs in the mines mounts, the country has began a painful debate about the industry's future. High subsidies and the huge number of coal jobs wholly dependent on state money are a very West German dilemma writ large. There may be a need to rid the economy of old rigidities, but people remember that it was the miners who kept a shivering nation going in the dark days after the war. When Ruhrkohle was formed, a still grateful Government promised coal priority as an energy source.

That was repeated in 1980 when, after the second oil price shock, Government, employers and unions agreed on Concept 90/90, which guaranteed production of 90m tonnes of coal a year by 1990. Chancellor Helmut Kohl said it again in 1983 just before Concept 90/90 crumbled because of cuts in the steel industry and was replaced by another scheme to get production down to 80m tonnes by the end of 1988.

The political mood has changed, though. Mr Kohl, in his government declaration in

High subsidies and the huge number of coal jobs dependent on state money are a West German dilemma writ large

March, became the first West German leader to stop paying even lip service to the priority promise. In a robust defence of nuclear power, he merely referred to coal as a considerable resource and said it would continue to make an important contribution.

After years of being told they were special, the miners hate what they are hearing now. Worse still, criticism from domestic and foreign agencies about the massive subsidies paid to West German coal has begun to multiply. In March the International Energy Agency urged Bonn to relax its limits on coal imports and to cut subsidies. The Government's own energy report last autumn spoke of the need to concentrate production on the most cost-efficient pits. A few weeks ago an institute led by a member of Mr Kohl's party put out a paper which asked whether the country needed a coal industry at all.

West Germany's federal and state governments have paid out DM 24bn to the coal industry under two giant aid schemes since 1980. Under the *Jahrhundertvertrag* (Century contract) agreed in 1980, West German power utilities are committed to buying domestic coal—45m tonnes a year by 1990—and maintaining that level until 1995. Because burning imported oil would be much cheaper, the Government allows them to cover the price difference by levying an extra 4.5 per cent on electricity bills. Bonn is now trying to raise the levy to 7.5 per cent because the price of oil is so low.

The utilities are locked into this contract until 1995 at least, but a far more problematic form of funding the coal industry is the *Huettenvertrag*, under which West German steel companies agree to buy only domestic coal at international prices. The Government then reimburses the coal producers for the difference. The contract does not specify volumes, so sales are wholly dependent on the health of the steel industry.

Without these aids, West Germany's coal industry could not survive and union officials deeply dislike talk of concentrating on competitive mines. "It's absurd," says Mr Meer-Leyh. "There are no competitive German coal mines.

The employers association, the Gesamtverband des Deutschen Steinkohlenbergbaus, in Essen, says local coal costs DM 255 (£85) a tonne to produce on average. "South African coal is available on the spot market for around DM 100 a tonne," says Dr Afred Plitzko, an association official. "They have chased the American and Canadians out of the market."

Both unions and employers dismiss the economic argument against coal. Mr Rudolf von Bennigsen-Foerder, chairman of the energy conglomerate Veba (which has a 40 per cent stake in Ruhrkohle) argued recently: "The total renunciation of German coal would reduce the security of Germany's supply of energy."

But he did concede that the degree of security might have to be adjusted. Many experts have no doubt that it will, and that sooner rather than later a new production target of between 70m and 75m tonnes will have to be set.

The continuing weakness of the dollar means that the cost to German taxpayers of covering the price difference between German coal and already low international oil and coal prices (both dollar-based) is getting harder to defend. For a Government promising to finance a DM 44bn tax reform for the 1990s partly by reducing subsidies, the prospect of constantly pouring money into coal is becoming profoundly irritating. Coal is running out of political friends.

The domestic steel industry has again entered a crisis and needs less coal. With the construction industry almost at a standstill, many coal-fired cement plants have either closed or converted to oil.

Sales of coal this year are forecast to drop by 5m tonnes to 74m tonnes and the Government's planned reserves of just 10m tonnes are gradually being dwarfed by an extra 18m-tonne stockpile held by the producers. As output falls, subsidies seem to rise.

The Ruhr is safe from more closures for the moment, but one of the mines near Aachen is nearly exhausted and one of the six Saar pits, Camphausen, may have to close soon. For Ruhrkohle's remaining 111,000 employees, the next two years may be relatively secure while the group winds down to the 104,000 agreed in 1983.

Any extra job losses brought on by the new weakness in the steel industry, which bought 23.7m tonnes in 1985, might create extreme difficulties, however. Union and Ruhrkohle officials say miners almost rebelled after Mr Martin Bangemann, the Economics Minister, was quoted in March as saying subsidies to coal and steel should stop. He denied it, but nearly everyone at General Blumenthal believes that is what he thinks should be done.

Even if no new, reduced, coal targets are set, at least 15,000 extra jobs—roughly six pits—are threatened by a promise by Bonn to stop subsidising the 6m tonnes of coal exported every year.

"It is to be feared that more pits will close," says Dr Plitzko. "We are being taken over by a new situation." Another employer-representative says: "We will have to put people on the jobs market for the first time since 1970."

At General Blumenthal, they are preparing to work short time in July. Harry Mutmann, just over 50 and soon to retire, says: "I belong to those who are always ready to make more compromises. But sometimes I wonder if it isn't time to change our policies. Just remember that a former state premier said: 'If the Ruhr catches fire, there will not be enough water in the Rhine to put out the flames.'"

Lombard

The US disease —hypochondria

By Samuel Brittan

THE OBSESSIVE preoccupation of the American political and business establishment with US growth, competitiveness and productivity reminds me of nothing more than "the British disease." The disease is the preoccupation, not the economic performance.

The one sure prediction is that the purported interventionist remedies would make any real economic problems worse. The preoccupation, if not the exact remedies, are the common property of Reaganite Republicans and Democrats searching for an "industrial strategy." How often does not one long to say: "Come back President Eisenhower; all is forgiven"?

Similarly in Britain, faced with strident Thatcherism and equally strident anti-Thatcherism, one longs for the so-called "13 wasted years" of postwar Tory rule from 1951 to 1964 (Incidentally, policies through most of that period were not those now espoused by so-called Tory "wets," which were invented later to appease militant trade unionism.) What was wrong during those 13 years was social stuffiness, not economic growth.

One is reminded of the "British disease" by the morbid search of the US economic tea leaves for bad news. Good quarterly growth is dismissed as due to inventory accumulation or something else that cannot last, while if inventories are low that too is taken as a warning of slowdown.

No one would think from the Washington discussion that US growth has never fallen in the last four or five years below 2 to 3 per cent per annum and has averaged nearly 3½ per cent. Growth has been sufficient to drive unemployment below 7 per cent, compared with 11 per cent in the European Community on common definitions.

"Practical men" often search for spurious profundity and cannot believe that the US payments gap (much inflated by bad statistics) is due to some mixture of low savings, deficit finance and a period of dollar overvaluation in 1981-85. It must, they believe, be due to some defect in physical performance such as productivity.

The real profundity is in the exposure of the productivity myth by First Boston Equity Research in its April 22 issue. The apparent slowdown in productivity results from the common error of looking only at output per worker and ignoring capital. Faced with an excess supply of labour due first to the entry into the labour market of the postwar baby boom and then increasing female participation rates, business reacted rationally by using less capital-intensive, and more labour-intensive, methods.

This was most apparent in the non-manufacturing sector, where the trend in the growth of output per man has fallen from an annual rate of 2.3 per cent in the years up to 1967 to virtually zero. The shift to more labour-intensive methods has been associated with a fall from 2.4 per cent to about 0.6 per cent in "real compensation per worker." Europe has not had a comparable squeeze on real wages, but has suffered unemployment instead.

Manufacturing has behaved differently. On the First Boston estimates it has neither had a large trend slowdown in its productivity trend nor a shift towards lower capital intensities. First Boston attributes this to the comparative absence of female labour, from which the bulk of new labour force entrants has come. But the lingering influence of unions in the US manufacturing sector may also have played a part in keeping up wages and productivity, while depressing employment. It is outside manufacturing that differences between Europe and the US have been greatest.

Of course it is serious that a new generation of Americans has not known the rise in take-home pay per earner to which their parents were accustomed. Instead, as First Boston puts it, "profits have enjoyed the free ride." But the issues raised are those of capital ownership (including urban property), not crude productivity. The US national income has risen fairly fast by historical standards. But more of it has gone into profits. And because of rising participation rates labour's share has been distributed among a greater number of earners.

Letters to the Editor

No random trust

From the Deputy Chairman, M&G Group.

Sir,—Professor Norman Simmonds (May 1) seems surprised to learn from Barry Riley's article that unit trusts on average failed to produce gains as large as the increase in the FT All Share Index over the decade to March 31 1987. I suspect that his unit trust figures were those of the median "UK general" fund and that the comparison took account of all income net of tax at the basic rate.

In fact it would have been quite extraordinary if the unit trusts had done better than the index on this basis for two reasons, neither of which has anything to do with their managers' ability to pick the right stocks. A share index reflects in broad terms the collective successes of all investors and it is therefore always difficult for more than *half the investors to outperform* it. The odds are loaded in favour of the index and against unit trusts because the latter's performance is held back by the cost of stamp duty and brokerage on stock exchange dealing and also, when income is reinvested, management fees charged against income.

I doubt whether Professor Simmonds meant to be taken seriously in suggesting that investors would do better buying a random sample of equities than investing in units. I have not come across a "random trust" of the type he suggests but index funds do exist and are considered useful by some pension fund trustees.

The fact is that unit trusts and equity investment in general are to do with risks and rewards. We have found that funds with apparently risky objectives such as higher than average income, or capital gains from specialising in recovery stocks, produce correspondingly higher rewards over the medium to long term. For what it is worth, six of our seven funds of that type beat the FT All Share Index fairly comfortably over the last decade.

John S. Fairbairn.
Three Quays, Tower Hill EC3.

Pre-emption rights

From Mr T. Clarke

Sir,—I have been following the articles and correspondence on the question of pre-emption rights—the right of existing shareholders to first refusal of new share issues.

I cannot see the justification for the debate, unless it is the English disease of talking about anything. To me, the situation is quite clear, the shareholders own the business and are therefore entitled to first refusal. Any other course is equivalent to taking my wallet, extracting a fiver, and giving me the rest back; ie, diluting my wealth without permission. Or am I being too naive?

Tom Clarke.
High Trees,
The Bailey,
Skipton, Yorks.

A positive approach

From Mary Thom

Sir,—I read with considerable disappointment and frustration the article by Michael Dixon on May 6. To me it sums up all that is negative, weak and unprofessional in the personnel function. No, I am not a dominant line manager knocking the "lower order personnel manager." I am a personnel manager who firmly believes that the treatment depicted in the article is probably well deserved.

When will personnel people learn to be positive, pro-active achievers—thereby earning the respect of line managers and senior management? We all know that the greatest resource of any organisation is its staff. This surely means that the personnel function has a prime opportunity to make a major contribution to the profitability of the organisation—yes to the bottom line! They must therefore prove to the management that they have a practical and constructive contribution to make and until they do this they cannot expect to be given a fair hearing. It is essential to understand the business, all the functions involved, the philosophy and the politics as well as the world outside.

Where recruitment is concerned, let us establish just who is running the show—the specialists of course—but working very closely with the line managers. This isn't a competition. But you leave the arrangements to others, you organise the whole process including the contingency plans for the line managers who fail to turn up, you communicate the plan effectively to those involved and what is even more important, you train the line managers in the skill of interviewing (why should you be the only enlightened participant?) This should illuminate the vastly differing views. If your "prima donnas" have not the time to interview candidates, then why not undertake the first selection process yourself and present them with a small number of strong candidates? Even more important, you must express your views and stand by them.

If you are ultimately overruled, don't retire to your corner hurt, just make a file note along with your assessment form and in time you stand a strong chance of being proved right (if you are worth your salt). Then you sort out the problem which the manager has brought upon himself (without any smugness) and I can assure you that your views will be given due consideration in the future.

All of this, however, depends upon my previous points—you have to work to achieve this level of acceptance and co-operation but believe you me, it can be done.

Mary Thom.
JP Morgan Investment Management,
83, Pall Mall, SW1.

An asset or a danger?

From Mr R MacKenzie

Sir,—This Conservative was astounded to read in your leader (May 12) the statement that: "The greatest danger to a campaign which could do some credit to the democratic process is perhaps Mrs Thatcher herself — or rather the very strong feelings she arouses. Indeed, her increasingly authoritarian style and the Government's excessive attachment to secrecy are genuine issues."

This is equivalent to saying that an eminently victorious admiral could endanger the next battle. You can bet your bottom pound (which will be about all you have left if Labour gets in) that a winner does arouse strong feelings.

In fact, the Conservative's greatest asset is their present leader's resolute character, in contrast to the windmill shifting of the Labour Party's leader, veering to suit every breeze that blows. We will hear precious little, for example, of Mr Kinnock's wonderful defenceless policy, now that he has found it to be such a vote loser.

The line you have taken about Mrs Thatcher's style is right out of the mouths of her opponents!

You further state that "It could be said that it is now Labour which is appealing to the normally conservative instincts of many voters — for their distaste for change."

Are you bonkers? Do you not realise that should Labour get in, with its openly avowed plans to change and abolish almost all Britain's traditional institutions, as well as police the banks, schools and universities, that capital finance would flee this country for safer climes?

With this kind of pre-election stance, the Financial Times would deserve to be one of the first business enterprises to be taken over by the destructive Left, whose successful campaign is being "prayed for" in the Soviet, according to Mr Healey.

R. H. MacKenzie.
Sunnyside,
Oldfield,
Ombersley, Worcs

Nutcracker or sledgehammer

From Mr J Weiner

Sir,—It is good to see Professor McKinnon's piece on exchange rate policy (The US nutcracker, May 12) reaffirm the close link between the US trade deficit and its fiscal deficit. His call for a massive domestic increase in taxes and cuts in spending needs to be matched by an equally drastic, across-the-board U-turn on the external front.

The futility and folly of the narrow exchange rate approach, be it bilateral or trilateral, are best shown in the table accompanying Professor McKinnon's text. At no time since the end of 1981 has Japan been responsible for more than one-third of the US deficit. Germany's share last year was one-tenth. How can either country be expected to cure the US deficit except to continue to finance it by pouring good money after bad? This too clearly cannot be expected to continue.

Therefore if what Professor McKinnon terms as US exchange rate policy has "seriously upset the world's financial equilibrium" there can be no future in looking for narrow solutions hurriedly arrived at at narrow "summits." The world's financial equilibrium in these days of global financial integration can only be found through a world solution, a global system for balancing the books, the liabilities of those in deficit against the assets of those in surplus. This is what the policy makers and others should set their minds to.

All this is of course easier said than done, but the time has come to attack the disorder in world money not with a nutcracker but with a sledgehammer.

John M. Weiner,
Brunsgreen,
St Leonards,
Nr Tring, Herts.

FINANCIAL TIMES
Monday May 18 1987

Roderick Oram on Wall Street

Allegis comes down to Earth

ON May 1 UAL, the besieged parent of United Airlines, became Allegis. It chose the artificial word because its components, allegiance and aegis, conveyed a sense of loyalty and protection it felt appropriate to its travel businesses. Devising and promoting the new identity have cost 60 per cent of the company's meagre 1986 net profits.

Unfortunately, shareholders are showing anything but loyalty to Allegis' grand strategy to turn its airline, car rental and hotel operations into a world-class integrated travel company.

Takeover speculation continues to swirl around the group because the sum of the parts, many of them acquired in a $2.3bn acquisition spree over the past 18 months, remain more valuable than the whole.

Last week it looked as though Allegis had bought some shark repellent through a deal with Boeing. The aircraft maker bought $700m of Allegis 7.52 per cent notes convertible into between 14 and 16 per cent of Allegis common shares. In turn, Allegis ordered 32 Boeing aircraft worth $2.1bn.

But in the three days following the announcement, a further 25 per cent of Allegis shares changed hands in the markets as its price rose $4¾ to $72¾. Apparently some arbitrageurs and raiders were undeterred by Boeing's white knight role.

While the identity of the raiders is unclear, their goal is: analysts estimate that Allegis's break-up value is more than $100 a share. Recently United's pilots offered to buy the airline for $4.5bn, more than the group's total market capitalisation, but the board turned them down.

Boeing said it gave Allegis a hand because of the highly competitive aircraft sales and finance environment.

Airbus Industrie, the European consortium which was rumoured to be close to snatching away Boeing's orders, was quick to suggest that other airlines would be put off by the Boeing-Allegis relationship.

In the realms of creative finance, however, neither Airbus nor McDonnell Douglas, its other rival, can match Boeing's financial weight which includes a $4.3bn cash hoard.

Boeing's pledge not to "influence the management or take control of the company" was rather unnecessary because it is forbidden to do so by a 1934 law which broke up the cosy relationship between aircraft builders and operators.

The law, designed to bring competition to air mail services cornered by conglomerates, forced the break-up of United Aircraft and Transport Company in 1934 into three parts: United Airlines, Boeing and Pratt and Whitney, the aircraft engine maker which is now part of United Technologies.

Turning itself into a congolmerate has done little so far for Allegis other than help cover its losses at United. Since August 1985, it has bought Hertz for $587.5m, Pan Am's Pacific airline division for $750m and Hilton International hotels for $975m to add to its existing Westin hotels.

Last year United accounted for 77 per cent of group revenues of $9.2bn but turned in a loss of $80.6m. Profits from non-airline activities allowed the group to report net profits of $11.6m.

Allegis has pushed hard to integrate the pieces by, for example, plugging car and hotel bookings to travellers choosing United. This has boosted Hertz's business, but the group remains burdened by some highly unprofitable parts.

Analysts forecast that the Pacific division will lose $100m this year because of the ageing fleet and poor management acquired from Pan Am.

Integration is an old concept which met with patchy success for earlier proponents such as Pan Am, Transworld and American. Allegis' apostle to the cause is Mr Richard Ferris, its 50-year-old, quick-tempered, hard-driving chairman since 1979.

A hotelier with Westin when United acquired it in 1970, he worked his way up through United Food Services to become president of the airline in 1975.

Initially he was welcomed warmly in the cockpits by pilots who gave him an honorary seniority number when he got its private pilots licence. But their relationship soured through a bitter strike in 1985 which slashed pilots' pay.

Today, Mr Ferris more often takes small executive jets and leaves UAL's day-to-day management to Mr James Hartigan, its president.

The Boeing deal might yet thwart raiders and give Mr Ferris time to try to bring his grand strategy to fruition. Meanwhile, some of the advertisements designed to encourage travellers to sample Allegis' services are equally an exhortation to raiders seeking undervalued assets.

Stewart Fleming in Washington on the Federal Reserve Board chairman's future

Volcker factor stirs the markets

MR JAMES BAKER, the US Treasury Secretary, is facing one of his most important decisions. Should he decide to use his considerable influence to press President Ronald Reagan to reappoint Federal Reserve Board chairman Paul Volcker for a third term.

Mr Volcker's second term of office does not expire until August 6. But an Administration which wants to demonstrate that it is functioning efficiently after the Iran/Contra upheavals and which does not want to give the financial markets any more cause for concern will not want to appear to be dithering about a decision which could have profound implications for economic policy.

Liability managers at commercial banks are already taking the Volcker factor into account in their day-to-day foreign exchange strategies. If the markets were to sense that the Fed chairman might not be offered another term (or was refusing to accept it) and Mr Reagan did not quickly name as a candidate one of the few individuals who could take the helm and command Wall Street's confidence, the dollar could plunge.

Last Thursday Washington was full of speculation that a decision about the Federal Reserve Board chairman's position was not far off. On this view, the Reagan Administration will not want to go to the economic summit in Venice early next month with the question undecided. This is particularly true if, as some informed observers suspect, the US is hoping to get the industrial countries to agree to unveil a new dollar support package there.

It is noted, too, that the last time President Reagan announced the reappointment of Mr Volcker, albeit without wholehearted enthusiasm, was in June 1983.

The standard assessment of Mr Volcker's position in Washington is that with the departure earlier this year of Mr Donald Regan from the job of White House Chief of Staff, and the appointment of former Senator Howard Baker to replace him, his chances of being offered another term – if he wanted it – improved dramatically.


Mr James Baker


Mr Paul Volcker

The fact that the financial markets are in a decidedly fragile state is another factor which is seen as making it more likely that Mr Volcker will be offered the job.

Administration officials who are concerned about the dollar and share Mr Volcker's concerns about the budget deficit, including Mr George Shultz, the Secretary of State, will, it is assumed, be inclined to reappoint him.

Mr Volcker has already made it clear which policies he is likely to pursue if reappointed. He has disclosed that the central bank is ready to raise US interest rates to fight inflation and defend the dollar which he maintains has fallen "absolutely and fundamentally" far enough.

Under him, the Fed's judgment seems to be that this approach addresses the long-term interests of the US economy and offers the best prospects for economic expansion to continue, even if it is sluggish.

Significantly, when Mr Volcker announced he was tightening monetary policy to defend the dollar on April 30, both the White House and Mr Baker indicated that they were backing his decision.

There are many in the Republican Party who are warning that, just as he did in 1980 and 1981, Mr Volcker will apply the monetary brakes so vigorously in his efforts to fight inflation that he will induce a recession. Together with the Iran scandal this will be ruinous for the Republican Party's prospects in the 1988 presidential and congressional elections.

The alternative view, and the one which Mr Volcker is presenting, is that only by maintaining the Federal Reserve's credibility as an inflation fighter can the central bank hope to avoid a collapse in the dollar which would trigger a crippling surge in long-term interest rates and a severe US recession.

Mr Volcker would add that the outlook would be better if President Reagan and Congress could agree to attack the budget deficit and West Germany and Japan adopted stimulative economic policies.

Recent White House support for Mr Volcker's monetary policy initiatives suggest that Mr Baker has so far accepted the logic of the Fed's case.

After all, the first thing a new Fed chairman other than Mr Volcker would have to do is earn his anti-inflationary spurs. One of the big attractions of asking Mr Volcker to serve again is that, because of their confidence in his judgment, the markets are likely to tolerate a higher rate of inflation under his monetary policy rule than under any successor's.

If Mr Baker does decide to support Mr Volcker's reappointment, he will be tying not only his political fortunes but also, in effect, the presidential fortunes of his close political friend, Vice-President George Bush to the monetary policies of the Fed chairman.

It would be hard for Mr Bush to dissociate himself from a White House decision in which his ally Mr Baker played a major role.

Most people in Washington assume that, if President Reagan offers Mr Volcker another term, he will, although reluctantly, take on the arduous and ill-paid job again, provided he feels confident that the Reagan Administration is prepared to support the anti-inflationary dollar defence policies he has signalled he intends to pursue.

To accept the job on any other terms would be to invite Washington's politicians to blame the central bank for the economic ills which could lie ahead. In effect this would risk compromising the independence of an institution whose special role in government Mr Volcker has spent much of his life defending.

Egypt to press for $10bn debt rescheduling on flexible terms

BY TONY WALKER IN CAIRO

EGYPT this week will ask the Paris Club group of Western creditor nations to reschedule, on the most generous terms, about $10bn of its official civilian and military debt.

Dr Salah Hamed, governor of the central bank, said yesterday that Egypt would press for the "greatest postponement" of debt repayments on the most flexible terms.

The move follows International Monetary Fund approval late last week of a $325m loan to provide balance-of-payments support. Under the IMF agreement, Egypt will receive an immediate payment of $150m (116m SDRs).

As part of the IMF deal, which came after months of often difficult negotiations, Egypt and the IMF reached agreement on an economic reform programme that includes reductions in the $4bn budget deficit, increases in energy prices, and exchange rate reforms.

The IMF agreement is seen by some monetary officials in Washington as marking a new phase in the fund's relations with developing countries.

On the surface, the 18-month Egyptian agreement has the characteristics of a standard IMF financing. But according to one official, the industrial countries are under no illusions that the fund is making a longer-term commitment than is usual.

Yesterday, Dr Hamed presented Egypt's agreement with the IMF as a consequence of its own reform programme. He sought to give the impression that Egypt was not bowing to IMF pressure.

He did say, however, that the IMF had urged Egypt to apply "shock treatment" to its economic problems which include a surge in prices, a large budget deficit and foreign currency shortages. He indicated a compromise had been struck between Egypt's desire for gradual reform and IMF demands.

The proposed Paris Club rescheduling will include about $2bn in military debt principally to the US, France and Spain and about $4.5bn in government-guaranteed suppliers' credits. Egypt has about $40bn in total foreign debt and debt service payments total about $5.5bn a year.

Egypt's major creditors had proposed a 10-year rescheduling programme which would have involved interest-only payments in the first five years and then an amortisation.

But the IMF is understood to have conducted further studies about Egypt's ability to adhere to such a programme and is believed to have suggested a 15-year repayment schedule with an initial seven-year interest-only "grace" period.

Fiji coup finds few friends

Continued from Page 1

time since independence in 1970. Indians form a slight majority of the population.

Reservists were called up to boost the strength of regular forces guarding strategic installations and locations at which former cabinet ministers are held.

In other developments:

- Col Rabuka said Fiji would not be represented at an important meeting next week of the 13-member South Pacific forum in West Samoa.
- Papua New Guinea, a Melanesian country friendly to Fiji, joined Australia and New Zealand in condemning the coup and continued to recognise the Governor-General's authority.
- Australia's High Commission in Suva was ordered to try to make contact with Dr Bavadra, the deposed Prime Minister, after a dramatic appeal for support, smuggled out on Saturday and broadcast from Australia. A similar personal appeal, in the form of a handwritten note from Dr Bavadra, was smuggled out to the New Zealand Government.

The regime has ordered all banks to close today to stop a run on local funds. The timing of a re-opening is to be decided at a meeting this afternoon.

The Governor General, while enjoying limited freedom of movement, showed no sign of shifting his position of opposition to the coup and his stand has assumed high importance. His denunciation last Thursday has since been re-broadcast from Australia. He is in direct contact with the Queen, whose constitutional position is complicated.

As Fiji is an independent British Commonwealth country with the Queen of England as head of state, she is not receiving or being offered advice from the British Foreign Office or British Government. She has supported the Governor General's opposition to the coup

Burlington under pressure after rise in hostile offer

BY JAMES BUCHAN IN NEW YORK

BURLINGTON INDUSTRIES, the US textile company which is the largest in the world, was under intense pressure at the weekend after a partnership led by Mr Asher Edelman, the New York investor, increased its hostile offer by more than 7 per cent to $72 a share or $1.97bn.

Burlington's stock leapt $5¾ to $71½ in late trading on Friday after the partnership, which includes Dominion Textile of Canada, had announced that it was raising its offer from $67 a share to a "very fair and more than adequate" $72 a share.

Analysts say the market price means that Wall Street doubts whether Burlington, which was trading at less than $40 a share before the partnership started building up its 13 per cent holding, can come up with a better stock price as a result of its promise to restructure.

One analyst described the partnership's offer, which has been raised from an original $60 a share, as "absolutely insane."

Burlington, which has bitterly rejected the partnership's approaches, announced on Friday that it was in talks with groups specialising in restructuring plans.

The company said it had provided confidential information to the buy-out groups, which it would make available to the partnership only if it dropped its tender offer. Mr Edelman, who is known for his successful company liquidations, has refused these terms.

Burlington, which has spent more than $2bn in capital investment to upgrade its products against heavy foreign competition, earned only $56.5m on sales of $2.78bn and has long been regarded on Wall Street as a lacklustre investment.

The market was at first sceptical that the partnership would persist in a bruising takeover battle. Burlington has twice sued the partnership; lobbied intensely in North Carolina, its home state, and in Washington; has threatened Dominion Textile with a takeover; and has offered to buy back some of its shares at $80.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	19	66	Dubrovnik	F	22	72	Malta	S	21	70	Rhodes	S	22	72
Algiers	S	23	73	Edinburgh	R	9	48	Manchester	R	9	48	Rio de J'o	C	27	80
Amsterdam	R	12	54	Faro	C	16	61	Manila	S	37	99	Rome	C	21	70
Athens	S	22	72	Florence	R	17	63	Melbourne	C	15	59	Salzburg	S	16	61
Bahrain	S	34	93	Frankfurt	F	13	55	Mexico City	S	27	81	San Francisco	C	12	54
Bangkok	S	35	95	Funchal	C	18	64	Miami	S	25	77	Seoul	F	14	57
Barcelona	D	13	55	Geneva	S	12	54	Milan	C	15	59	Singapore	F	28	82
Beirut	S	24	75	Gibraltar	F	20	68	Montreal	C	12	54	Stockholm	R	7	45
Belfast	R	10	50	Glasgow	R	10	50	Moscow	C	24	75	Strasbourg	S	15	59
Belgrade	S	18	64	Guernsey	R	10	50	Munich	S	14	57	Sydney	R	16	61
Berlin	F	12	54	Helsinki	F	17	63	Nairobi	C	22	72	Taipei	R	22	72
Biarritz	C	14	57	H Kong	R	25	77	Naples	S	26	79	Tangier	F	20	68
Bombay	S	34	93	Innsbruck	S	16	61	Nassau	S	28	82	Tel Aviv	S	32	90
Bordeaux	F	17	63	Inverness	R	9	48	New Delhi	S	34	93	Tenerife	F	21	70
Brussels	C	12	54	Islamabad	S	29	84	New York	C	17	63	Tokyo	R	18	64
Budapest	S	16	61	Istanbul	S	23	73	Nice	R	13	55	Toronto	S	17	63
B. Aires	F	17	63	Jakarta	R	31	88	Nicosia	C	33	91	Tunis	S	25	77
Cairo	S	35	95	Jersey	F	13	55	Oporto	F	17	63	Valencia	F	22	72
Cape Town	F	19	66	Jo'burg	S	23	73	Oslo	R	9	48	Venice	F	18	64
Caracas	—	—	—	Lima	F	24	75	Paris	C	14	57	Vienna	F	17	63
Casablanca	F	21	70	Lisbon	F	15	59	Peking	—	—	—	Warsaw	C	10	50
Chicago	F	15	59	London	C	12	54	Prague	F	13	55	Washington	S	15	59
Cologne	F	14	57	Los Angeles	C	17	63	Reykjavik	C	7	45	Zurich	S	13	55
Copenhagen	C	10	50	Luxembourg	C	11	52								
Corfu	S	24	75	Madrid	C	16	61								
Dallas	S	18	64	Majorca	F	20	68								
Dublin	R	11	52	Malaga	F	21	70								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

IBM complaint dropped

Continued from Page 1

claims to have been expanding recently in competition with independent leasing companies.

Two issues were originally raised in the Cartel Office complaint, which was lodged by the European Computer Leasing and Trading Association (ECLAT).

According to the association, IBM was discriminating against leasing companies by refusing to advance volume purchase discounts available to its large commercial customers. It was also alleged to be offering leasing rates against which the independent leasing companies could not compete.

Underlying the complaint over rates was the view that IBM could offer customers a better deal than the leasing companies because of its superior knowledge of its new product programme. This would give it a more precise estimate of the residual value of used machines in its leasing business.

Both of the questions covered in the complaint have now been resolved satisfactorily, after talks with IBM, says ECLAT. In what appears to have been a compromise between the two parties, the leasing companies have decided not to pursue their claims for volume discounts after "clarification" from IBM.

In addition, adjustment in leasing rates in West Germany have brought tariffs offered by the company roughly into line with those of the leasing groups.

THE LEX COLUMN

Ask, and it shall be considered

That the institutional defence of pre-emption rights has nothing to do with the sub-underwriters' gravy train has always been official doctrine. Today's letter from the National Association of Pension Funds (NAPF) goes one step beyond pious denials, to embrace the principle of the deeply discounted non-underwritten issue, as practised in recent times by NatWest and the Pru. And for rights issues at a more conventional discount, the NAPF is apparently more than willing to negotiate underwriting commissions.

Finance directors who have had the experience of waiting for their slot in the Bank of England's rights queue may be sceptical of trying to argue the toss on the morning of impact. The combination of inflexible timing and long risk periods in traditional rights issues has always made it peculiarly difficult for companies to mount a challenge to the 1¼ per cent commission. If underwriting is not a cartel over the weekend, it looks very much like one before the markets open on the crucial Monday morning.

Perhaps it will turn out that underwriting commissions and the licence to make issues for cash will equally turn out to be matters for negotiation. The NAPF left a little more flexibility in its guidelines for non-pre-empted issues than the Association of British Insurers (ABI), though the rolling 12½ per cent limit means that a 5 per cent exemption from the NAPF amounts to the same thing, in the end, as the ABI's 2½ per cent. Brassy treasurers who go bald-headed through the 12½ per cent limit, without consultation, will not only find themselves blackballed by the insurers, but set off a red-alert at the NAPF. The NAPF's guidelines, however, are clearly intended to be a starting point for companies to make a case for their capital raising plans, individually.

Although this sounds like a request for treasurers and finance directors to come and grovel for concessions case by case, it may with time provide a rational basis for gaining access to international sources of capital. There is something in the hard-line pre-emptionist complaint that the only limit that can logically be defended is 0 per cent; so the treasurers, and the investment bankers, have already got a foot in the door. And if the hints of flexibility about underwriting commissions come to anything, so that domestic equity feels a fraction cheaper to an issuing management, less may be heard in future about the need for an international shareholder base.

Finland

Just imagine. A country ruled by a conservative-socialist coalition busy implementing a package of capital market liberalisation inherited from its socialist-centrist predecessors; an economy with an above-average growth record, partially insulated from the vagaries of the world economy; a stable currency; and a stock market which is still trading on an average multiple under 10. This fund managers' dreamland exists. It is called Finland.

Real fund managers may have difficulty reconciling this dreamland with their experiences of the early 1980s, when the market was first "discovered." At that time the index went through the roof, but institutions found they could not get out without sending prices through the floor. During the subsequent three years most of the foreign interest was brazenly speculative.

That is now in the past. Equity turnover has increased from FM 664m ($152m) in 1982 to FM 9bn in 1986 (and FM 6.5bn in the first four months of 1987), helping to improve liquidity. Several obstacles to both domestic and foreign investment in securities are in the process of being lifted which, no doubt, contributed to the 63 per cent rise in the index last year and the further 25 per cent rise in the first quarter of this.

Domestically, recent budgets have provided modest tax relief to equity investors and eased the wealth tax scales. More important, the package passed by parliament in February allows in the formation of unit trusts – which some observers believe could pump FM 4bn into the market in their first year of operation. Finally, from June 1 the maximum proportion of a company's share capital that can be owned by foreigners is rising from 20 per cent to 40 per cent (although the voting rights of foreigners remains 20 per cent).

All good stuff, which has allowed the market to help itself to a generous re-rating over the past 18 months. But, except for serious long-term holders, enthusiasm needs to be held on a short rein. While the index is likely to continue rising it will probably face a period of relative consolidation for up to 18 months. The main reason for this is that, while most of the good news associated with recent reforms is already discounted, the reforms themselves – or at least some of the most significant – will not materialise for some time. For example, the unit trust changes cannot come into effect before certain modifications to tax legislation not expected until 1988.

Also, there is a danger of equity supply outstripping demand as the tax problems associated with going public are reduced. Equity (or equity related) new issues are expected to top FM 5bn this year which is equal in value to all new issues on the Swedish market last year, a market which is four times larger. Add to that continuing worries about liquidity arising from the clumsy dealing system plus the expected decline in corporate profitability this year, and the case for caution looks convincing. So, ironically, does the case for Nokia, Finland's largest public company, which today starts trading on the London Stock Exchange.

Over the past few years it has transformed itself into a model conglomerate balancing a group of mature, but profitable businesses, with its higher risk/return electronics companies. It appears to have shaken off the lumpy earnings record of the past few years and with financing costs coming down pre-tax profits could be up by more than one-third this year.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday May 18 1987

INTERNATIONAL BONDS

Swiss franc issue withdrawal remains a remarkable mystery

THE LAST thing a lead manager wants to do is to withdraw an issue from the market after it has been launched, writes Clare Pearson in London.

Aside from the difficulty of having to tell a borrower it will not be getting its money after all, such a move creates an impression of unprofessionalism that no mandate-hungry securities house wants attached to itself.

Last week's withdrawal by Swiss Bank Corporation of a SFr 125m 5 per cent eight-year public bond for Primerica, the US financial services company, was the latest in a minor spate of withdrawals and readjustments of international bonds for US companies. But it was in a number of ways the most remarkable such move for some time.

First, it took place in the Swiss foreign bond market, where such calamities are much rarer than in the Eurobond market because lead-managers confer more with co-underwriters about pricing a bond. It is also easier to put together a group there because members of the informal issuing syndicates generally pull together.

Secondly, the bond was apparently withdrawn not because of a poor grey market trading performance but at the will of the borrower, for unspecified "business reasons" that neither Swiss Bank Corporation nor Primerica has been able so far to explain.

An unusually long period – almost three weeks – had elapsed between announcement and withdrawal of the bond.

The mystery set tongues wagging up and down the Bahnhofstrasse, Zurich's main business street, last week although no consensus view emerged.

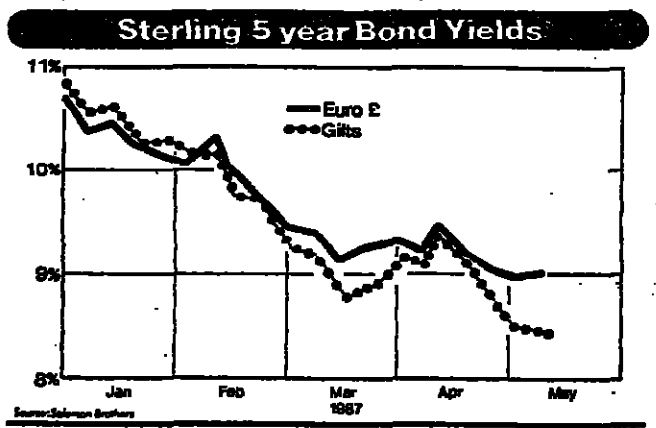
Some suggested that the company had decided it no longer needed the money; that a swap had fallen through (although it has not been confirmed that the bond was swap-related); or that legal difficulties had arisen, perhaps associated with the company's recent change of name from American Can.

Some also thought the change of name had prompted concerns that investors would not recognise the borrower, although it could surely have seen this problem coming when it announced the deal a couple of days before shareholders approved the change.

In any case, most dealers said the bond had met a fair initial response, although some felt its 5 per cent coupon looked less enticing after a deal for a better-liked borrower, Hydro Quebec, appeared with a coupon at the same level.

There seems little doubt, however, that Swiss investors are getting more choosy about the North American corporate names they will buy, and Primerica is rated only triple-B.

Swiss bond holders have had some cruel shocks over the last year. Investors in People Express' convertible bond received back only 65 per cent of its face value after Texas Air merged with the troubled airline. Meanwhile, holders of Dome Petroleum's three Swiss franc notes can expect to receive only 35 per cent of their claims if Amoco's bid for the debt-laden Canadian energy company goes through.



Source: Salomon Brothers

Dealers say the strain is beginning to tell on the market. S.G. Warburg Soditic had the misfortune to launch a bond for Mr T. Boone Pickens' Mesa Limited Partnership almost simultaneously with the bankruptcy filing by Texaco, another US oil company. Soditic withdrew the bond, after being unable to construct a management group.

Although Primerica's bond was in a different class, Crédit Suisse gave it a vote of no confidence by refusing to join the management group.

This aspect of the affair has highlighted a trend that some dealers have suspected for months: an increasing tendency for Crédit Suisse to act independently of Swiss Bank Corporation and Union Bank of Switzerland, its co-leaders in the biggest informal syndicate in the foreign bond market.

Traditionally, the "Big Three", which operate a virtual cartel in the market, would include one another *in almost all their deals*. But recently Crédit Suisse has led a number of private placements without including the other two banks in the group, as well as turning down some admittedly tightly-priced bonds led by Union Bank of Switzerland earlier this year.

Some suspect a link between this development and a change of personnel at Crédit Suisse over the last few months. Mr Hans-Jörg Rudloff, deputy chairman of Crédit Suisse First Boston and the head of its London-based Eurobond operations, has also been appointed a general manager of Crédit Suisse in Zurich, and Mr Hans Rudolf Zehnder, formerly at CSFB-Effectenbank, has been put in charge of syndication.

Back in the Eurobond market, where issuing houses are far less scrupulous about supporting each other's deals, bonds for US companies have had to be restructured with increasing frequency over the last few months.

Unlike Primerica's deals, these changes have been made because the pricing of the bonds went wrong.

All the bonds have been convertible issues, which have become vulnerable to a downturn as uncertainty about the level of the US stock market has built up, adding to qualms about the US currency and interest rates.

Convertibles are generally arranged on an "open pricing" basis to take account of the volatility of the underlying shares. But, even so, some issues have recently had to fall under the knife after terms had been indicated.

Only one bond, for Comcast, the US cable television company, has been withdrawn lately, because of over-ambitious pricing. But a deal for Home Shopping Network, launched in March, had to be reduced by $50m to $100m, after a precipitous fall in its share price shortly after launch.

Last week CSFB had to adjust the terms on its $150m convertible for Alcoa, setting the conversion premium at 20 per cent, 3 per cent under *its lowest indicated level*. After that, however, the bond recovered strongly to trade at above par on Friday afternoon.

● Merrill Lynch Capital Markets has adapted its multi-tranche tap note (MTTN) format to the sterling market with a £250m programme for Leeds Permanent Building Society. Leeds may issue sterling certificates of deposit in tranches with maturities between one and five years.

Initially, it is issuing £25m of a maximum £100m tranche with a three-year maturity and coupon of 8⅝ per cent. Merrill, which keeps dollar MTTNs at maximum spreads to US Treasuries, was making a price in the Leeds issue at 30 basis points above equivalent UK gilts.

EUROCREDITS

Bank competition pushes down costs for UK companies

BY ALEXANDER NICOLL IN LONDON

WHILE UK companies face new limits imposed by institutional shareholders on their international equity and convertible bond issues, their eager corporate treasurers have been making a splash in another area of the international capital markets.

Indeed, such is the competition among banks to arrange multiple option facilities for UK companies that yield margins and fees have been dropping for them even while they have been rising, or at least levelling out, for other borrowers.

According to figures compiled by Barclays de Zoete Wedd, 32 British companies have announced facilities totalling £4bn so far this year.

The borrowers are following the established international trend of replacing bank lines with more flexible and cheaper funding off banks' balance sheets. Since many simultaneously announce commercial paper programmes, they are keeping up with the more modern trend as well.

Typically, a facility contains an underwritten credit which may act as a backstop for commercial paper as well as general funding; and it includes the ability to seek bids for advances for acceptances through a tender panel, of which members need not be underwriters of the credit. A note issuance option has become rarer as the move towards commercial paper grows.

Apart from the attraction of replacing bank financing on more competitive terms, such facilities excite UK borrowers because the acceptances market remains a cheap source of finance. Forcing banks to compete makes it even more competitive.

While fostering such competition, most companies have been cautious about straying away from their traditional bankers in the arrangement of facilities. Although North American banks have made their pitches, and some have won mandates, most have been left out in the cold. Barclays, National Westminster and S. G. Warburg have played important roles, with other clearers and merchant banks also featuring.

Companies are usually anxious that their long-standing "relationship" banks maintain their links by underwriting the facilities. But as is often the case with "relationship" deals, they are unwilling to pay banks too much for the privilege.

The usual competitive pressures have narrowed returns to the extent that, in the words of one banker, "there's very little room to go any further." They have also slimmed the price differentials between different quality credits.

One feature which reduces borrowers' costs is the controversial division of credits into "available" and "unavailable" portions. The unavailable portion, which carries lower fees, cannot become available unless the borrower provides adequate notice. While non-bankers might puzzle at the paradox of lending money that the borrower cannot borrow, bankers argue about the correctness of cutting fees in this way.

Some say that the unavailable portion is a contingent liability, no less than the available portion, and therefore should command the same charges. Others argue that the lower fees are justified by the fact that the bank is in no immediate danger of having to advance the unavailable money.

In a quiet market for new deals, a $300m credit for Greece was increased to $400m, and a $100m deal for Hokkaido Takushoku Bank was raised to $135m.

Chase Investment Bank launched a $80m five-year credit for Finsider, the state-owned Italian steelmaker, with a 12.5 basis point spread over Libor and a front-end fee for lead managers of 20 basis points. Kansallis-Osake Pankki doubled its Eurocommercial paper programme to $600m.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	3,302.5	200.4	–	4,230.5
Prev	1,350.8	243.0	–	3,553.3
Other	2,185.3	160.2	–	633.6
Prev	3,412.6	1,096.4	–	395.3
Secondary Market				
US$	22,382.5	1,704.7	8,128.0	5,034.3
Prev	30,431.5	2,802.5	16,996.2	4,309.0
Other	19,110.2	1,735.6	4,027.9	12,599.4
Prev	24,094.7	557.0	6,006.8	11,755.2

	Cedel	Euroclear	Total
US$	13,570.4	31,431.5	45,001.9
Prev	17,299.6	42,396.7	59,696.3
Other	15,071.8	25,380.3	40,452.1
Prev	17,296.0	30,022.0	47,318.0

Week to May 14 1987 — Source: AIBD

UK GILTS

Retail interest low in election countdown

LAST WEEK was stuffed full of potentially interesting events but the UK government bond market was left virtually unchanged, a fact that was perhaps to be expected in the first week of a 4½-week election campaign.

Given that the calling of the poll last Monday had been widely and correctly anticipated, and that the latest political opinion polls serve only to confirm the optimistic view of the Conservative Party's chances, there has been little more to trade for on the political side.

There were reports in some quarters of the market of lively Japanese interest in the 1992 stock auctioned last Wednesday, but these tended to be counterbalanced by reports late in the week of resale of the stock by Japanese houses in Tokyo.

The level of retail interest, both domestic and foreign, was pretty low last week and the vast bulk of the 2002-06 stock offered at tender last Thursday appears to have been left on the Bank's books. The market ended last week some way below tap levels, which could prove a dampener on the technical standing of the market this week.

There was some disappointment that the fact of the election announcement did not bring masses of fresh foreign money flooding into gilts. However, after a largely foreign-led rally in past months which discounted exactly that event, hopes of a further surge in investment always appear to have been misplaced.

There seems no particular reason for foreigners to get excited again until much nearer the election. On the other hand, the limbo of an election campaign when normal life (including government department briefings) is suspended could leave the market vulnerable to adverse news, such as a rogue opinion poll cutting the Government's lead.

The rise in retail price inflation to an annual rate of 4.2 per cent in April was somewhat above market forecasts, but provoked little market reaction.

The reason for this can be found in the fact that the release of the figures on Friday coincided with an Evening Standard opinion poll showing the Conservatives a staggering 15 points in the lead.

Fundamentally more impressive to the market, however, was the sanguine view, at least in the short-term, of inflationary pressures outlined in the Bank of England's quarterly bulletin (fundamentally because it is real economic trends which will matter once the election is won and lost).

The Bank said the retail price index was likely to peak around mid-year and then fall towards the end of the year, possibly to below the rate of 4 per cent in the Budget forecast. In the longer-term, the Bank said prospects for underlying inflation were less certain and weighed the encouraging fall in private sector wage settlements in the past six months against less reassuring signs from the public services.

Another aspect of the Bank's bulletin which has been regarded as basically satisfying was the treatise on broad money aggregates, which heralded a public shift in favour of those measures including building societies and away from Sterling M3 which does not include this sector.

In view of the increasingly blurred distinctions between banks and building societies, this shift must be welcomed and, as one market maker put it, it is nice to know that the Bank is still thinking seriously about broad money.

Anyway, it was a historic moment as Sterling M3, renamed M3, finally went out of the language (as well as out of the front line of monetary policy).

Continuing on the subject of the money supply, one wondered on reading the bulletin whether the Bank inadvertently expressed its lack of interest in Mo by leaving it glaringly out of its apparently comprehensive table of monetary aggregates and their components.

The Bank's comments last week on exchange rate policy confirmed what had already become apparent—that the authorities do not want the pound to rise from current levels, and that intervention will be used to stop it in the first instance and interest rates only in the second.

On interest rates, there was a great deal of talk about caution about them falling too far and too fast and there was a strong impression that the authorities would like to prevent any cut from the current 9 per cent during the election campaign. Last week, at least, the Bank was let off the hook as sterling calmed down. Nevertheless, money market rates steadily eased and the dilemma is still there.

Janet Bush

US MONEY AND CREDIT

Renewed inflation fears hit bonds

FEARS OF inflation returned to dominate the US credit markets' thinking last week, breaking their long fixation on the dollar's rocky ride in foreign exchange markets. The mood was further darkened on Friday, when leading US banks raised their prime lending rates to 8.25 per cent, the third increase in six weeks.

So far, the inflationary threat poses more of a psychological than a real problem. But either way, it injects another tricky factor into the Federal Reserve Board's policy equation. While analysts are reasonably confident that the central bank will make no change to its policies when its Open Market Committee meets tomorrow, opinions are keenly divided about the Fed's longer term strategy.

Some argue that it will have to raise its discount rate by half a percentage point to 6 per cent to nip the expected upsurge in inflation in the bud and to help support the dollar. The US currency is now enjoying a fragile stability, yet the attitude towards it in foreign exchange markets remains distinctly bearish.

Others argue that a discount rate increase is out of the question because evidence is mounting that the economy is performing poorly. If the dollar and inflation factors were not so pressing, the low level of growth would probably justify a discount rate cut.

Two waves of inflation fears swamped the credit markets last week, driving down the price of the new 8.75 per cent 30-year Treasury bond by 2¼ points and its yield up 50 basis points to 8.92 per cent. The price of the old 7.50 per cent benchmark bond has now fallen 15 points since mid-March, battered by trade wars, the dollar's collapse and rising worries about inflation.

The first wave broke on Monday, when the widely-watched commodity futures price index of the Commodities Research Bureau leapt 2.7 per cent, its sharpest one-day rise in 13 years. The index has risen about 13 per cent so far this year and with Monday's jump broke out of a seven-year downward trend in prices.

The second wave surged through the markets on Friday following news of a 0.7 per cent rise in the producer price index in April. Worse, prices of crude goods on the bottom rung of the production chain rose 2.8 per cent in the month.

Analysts pointed to a number of reasons why the outlook for inflation was not as bad as the figures indicated superficially. Futures prices swing widely and do not necessarily convey accurately the underlying picture. Moreover, few commodities are anywhere near supply shortages of the sort that might aggravate inflation, while labour costs are still under tight control.

Only the most pessimistic economists are expecting the annual inflation rate to rise higher than 5 per cent this year, up barely a couple of points from last. But psychology is another matter.

Expectations of higher inflation are building up rapidly, judging by the skittishness of the bond markets and the near doubling of trading volume for some key commodities futures contracts as people seek inflation hedges. There is a danger that the fear of inflation will trigger rebuilding of raw material stocks by manufacturers, which would lend credence to the worries.

The Fed could hold back from a discount rate increase, hoping that the bubble of inflation expectations will burst. On the other hand, it might decide that it has to maintain its credibility as in inflation fighter by pushing interest rates up.

If it chooses the latter course it might wait until the forthcoming Venice summit meeting of leading industrialised countries to give the discount rate increase the added punch of being part of internationally co-ordinated action.

The sharp division in analysts' views is exemplified by the forecasts of Mr Philip Braverman of Irving Trust and Mr Samuel Kahan of Kleinwort Benson Government Securities. Both agree that the fear of accelerating inflation is greatly exaggerated but Mr Braverman argues that a discount rate increase lacks support in high places. Mr Paul Volcker, chairman of the Fed, has signalled that he is more concerned about the fragile economy than inflation. Others within the Fed and the Administration have shown similar concerns.

Mr Kahan believes, though, that "unless the economic situation changes drastically, an increase in rates, at least over the near term, seems inevitable."

* * *

A clutch of statistics this week will give further evidence of the direction of the economy. Today brings the release of capacity utilisation which is forecast by many economists to have eased slightly from March's 79.8 per cent.

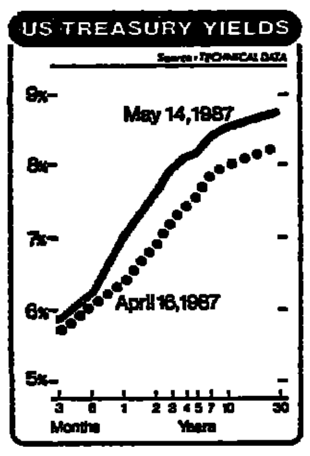
This would be the third monthly decline in a row, leaving plenty of room for increased production before a shortage of goods contributes to inflation. Economists' forecasts of the following statistics were compiled on Friday by Money Market Services of Redwood City, California:

The figure for April's housing starts is due out tomorrow. The median of 42 estimates is 1.75m starts at an annual rate with a range of 1.65m to 1.85m. There were 1.83m statrts in March but this relatively high number reflected unseasonably warm weather.

Friday brings April's consumer price index and durable goods orders and a revised first quarter gross national product figure. The median estimates of the CPI increase is 0.5 per cent with a range of 0.3 to 0.7 per cent. The median durable goods estimate is a fall of 1.5 per cent with a range from a fall of 3.5 per cent to a rise of 3.4 per cent.

The median estimate of the growth in first quarter GNP is 4.5 per cent against a preliminary figure of 4.3 per cent but the forecasts of the rise range from 3.5 per cent to 5.3 per cent.

Roderick Oram



US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.77	6.81	6.37	11.34	5.71
Three-month Treasury bills	5.96	5.52	5.55	6.52	5.81
Six-month Treasury bills	6.22	5.84	5.85	6.34	5.06
Three-month prime CDs	7.03	6.91	6.55	6.98	5.44
30-day Commercial Paper	6.83	6.70	6.34	7.70	5.52
90-day Commercial Paper	6.90	6.75	6.36	6.82	5.45

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	98⅞	−1¾	8.64	8.29	7.02
20-year Treasury	103¼	−3⅞	9.02	8.48	7.44
30-year Treasury	98¼	−2⅜	8.92	8.40	7.52
New 10-year "A" Financial	n/a	n/a	9.63	9.40	8.00
New "AA" Long utility	n/a	n/a	10.00	9.45	8.60
New "A" Long industrial	n/a	n/a	9.95	9.60	8.50

Source: Salomon Bros (estimates).

Money Supply: In the week ended May 4 M1 rose by $9.3bn to $746.8bn

NRI TOKYO BOND INDEX

December 1983 = 100	16/5/87	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	141.98	3.45	141.01	135.06	130.07
Government Bonds	145.20	3.06	143.63	135.98	130.89
Municipal Bonds	140.67	4.44	140.01	135.22	130.94
Government-guaranteed Bonds	141.62	4.52	140.84	134.16	130.83
Bank Debentures	135.54	3.33	135.10	132.10	126.73
Corporate Bonds	137.80	5.06	137.42	134.24	129.01
Yen-denominated Foreign Bonds	139.12	6.07	138.59	135.49	130.59
Government 10-year†	3.59	—	4.08	5.22	5.60

† Estimated par yield.

Source: Nomura Research Institute.

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon. CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on May 15.

HYDRO

Norsk Hydro a.s

(Incorporated in the Kingdom of Norway with limited liability)

U.S.$125,000,000

8¼ per cent. Bonds due 1997

Swiss Bank Corporation International Limited

Credit Suisse First Boston Limited
Salomon Brothers International Limited
Bank of Tokyo International Limited
Banque Bruxelles Lambert S.A.
Banque Nationale de Paris
Banque Paribas Capital Markets Limited
Commerzbank Aktiengesellschaft
Crédit Lyonnais
Daiwa Europe Limited
Den norske Creditbank Group
Deutsche Bank Capital Markets Limited
EBC Amro Bank Limited
Goldman Sachs International Corp.
IBJ International Limited
Merrill Lynch Capital Markets
Morgan Stanley International
Union Bank of Switzerland (Securities) Limited
Wood Gundy Inc.

New issue — This announcement appears as a matter of record only. — April, 1987

MB

Metal Box p.l.c.

£65,000,000

5¾ per cent. Subordinated Convertible Bonds Due 2002

Convertible into Ordinary Shares of Metal Box p.l.c.
Initial Conversion Price 262 pence

Swiss Bank Corporation International Limited

Baring Brothers & Co., Limited
Morgan Stanley International

Banque Bruxelles Lambert S.A.
Banque Nationale de Paris
Cazenove & Co.
Citicorp Investment Bank Limited
Credit Suisse First Boston Limited
Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft
The Nikko Securities Co., (Europe) Ltd.
Swiss Volksbank
Union Bank of Switzerland (Securities) Limited
S. G. Warburg Securities

Julius Baer International Limited
Banca del Gottardo
Banca della Svizzera Italiana
Compagnie de Banque et d'Investissements, CBI
HandelsBank N.W. (Overseas) Ltd.
Leu Securities Limited
Lombard Odier International Underwriters S.A.
Pictet International Ltd.

New issue — This announcement appears as a matter of record only. — April, 1987

STATE BANK

State Bank of South Australia

A$50,000,000

Puttable Adjustable Rate Notes due 1992

Unconditionally and irrevocably guaranteed by

The Treasurer of the State of South Australia

Swiss Bank Corporation International Limited

Credit Suisse First Boston Limited
Deutsche Bank Capital Markets Limited
Morgan Guaranty Ltd

Algemene Bank Nederland N.V.
Bank of Tokyo International Limited
Banque Bruxelles Lambert S.A.
Baring Brothers & Co., Limited
Commerzbank Aktiengesellschaft
Hambros Bank Limited
IBJ International Limited
Salomon Brothers International Limited
Swiss Volksbank
S.G. Warburg Securities
Westdeutsche Landesbank Girozentrale
Wood Gundy Inc.

Bank in Liechtenstein AG
HandelsBank N.W. (Overseas) Ltd.
Sarasin International Securities Limited
Swiss Cantonalbanks
Unigestion S.A., Geneva

New issue — This announcement appears as a matter of record only. — April, 1987

COMMONWEALTH BANK OF AUSTRALIA

A statutory corporation of the Commonwealth of Australia

A$125,000,000

Puttable Adjustable Rate Notes due 1992

The Commonwealth of Australia guarantees the due payment of all moneys that are, or may at any time become, payable by the Commonwealth Bank of Australia.

Swiss Bank Corporation International Limited
Commonwealth Bank of Australia
Credit Suisse First Boston Limited
Hambros Bank Limited
Orion Royal Bank Limited

Algemene Bank Nederland N.V.
ANZ Merchant Bank Limited
Bank of Tokyo International Limited
Banque Bruxelles Lambert S.A.
Banque Nationale de Paris
Creditanstalt-Bankverein
Deutsche Bank Capital Markets Limited
Merrill Lynch Capital Markets
Nomura International Limited
Rabobank Nederland
Union Bank of Switzerland (Securities) Limited

Julius Baer International Limited
Banca del Gottardo
Banca della Svizzera Italiana
Banque Privée Edmond de Rothschild S.A.
Compagnie de Banque et d'Investissements, CBI
HandelsBank N.W. (Overseas) Ltd.
Lombard Odier International Underwriters S.A.
Sarasin International Securities Limited
Swiss Cantonalbanks
Swiss Volksbank
Unigestion S.A., Geneva

New issue — This announcement appears as a matter of record only. — April, 1987

Swiss Bank Corporation International

Bond losses hit Japan's insurers

BY YOKO SHIBATA IN TOKYO

JAPANESE life insurance companies, big investors in US and other foreign bonds, suffered foreign exchange losses of Y2,000bn ($14.27bn) in the financial year to March 31.

Mr Sadaaki Hirasawa, director-general of the Banking Bureau of the Ministry of Finance, told the House of Representatives Finance Committee that the life companies had lost about Y1,000bn from foreign exchange movements in fiscal 1985. This followed the yen's sharp rise after the September 1985 Plaza agreement on currency realignment. Their exchange losses doubled to around Y2,000bn in the year to this March.

The ministry has instructed the life companies to write off their losses in the current financial year over a three-year period. Losses for fiscal 1986 are to be written off, together with those carried forward from the previous year, against profits from holdings of securities.

Japanese life insurers are known to have sufficient capital to weather huge potential losses. The large unrealised profits on their securities holdings, representing the difference between book and market value, have been further boosted by the sharp rise of the stock market in recent months.

This cushion is generally reckoned to be large enough to absorb a decline of up to 75 per cent in the equity market.

The Japanese life insurance industry has dramatically increased its offshore investments, chiefly in US dollar-denominated bonds. The life companies' foreign investment portfolio expanded from Y4,800bn in April 1986 to Y7,900bn as of the end of February 1987, to account for 12 per cent of their total assets.

Defending their heavy losses on foreign currency bonds, the big life insurance companies have often pointed to the absence of attractive, high-yielding alternative investments in the domestic market.

Mr Kiichi Miyazawa, the Finance Minister, denied press reports last week that his ministry had advised domestic institutional investors to buy the US Government debt. The ministry had not asked and would not ask investors to buy any specific kind of bonds, he said in a parliamentary answer.

Mr Kanae Seki, chief of the insurance department of the Ministry's Banking Bureau, also told the Diet finance committee that the department had made no request to the life insurance companies to participate in US Government bond auctions.

The ministry feared that Japanese institutional investors would boycott the US government quarterly refunding, adding to downward pressure on the dollar. In the event, the auction drew stronger Japanese demand than had been expected, reflecting the Japanese authorities' efforts to reduce domestic interest rates.

The MoF officials' remarks followed shortly after the ministry had urged banks, securities houses and insurance companies to refrain from speculative foreign exchange dealings in an effort to help stabilise the dollar against the yen. In making the request to insurance companies, the ministry did not urge them to buy US government bonds, Mr Seki said.

Hongkong Hotels predators face inquiry

By David Dodwell in Hong Kong

THE CONTEST for control of the Hongkong and Shanghai Hotels group—which includes the prestigious Peninsula Hotel in Hong Kong—enters new ground today as the territory's Securities Commission examines claims that predators on the group are acting in concert.

The fate of the group, which has been controlled by the family of Lord Kadoorie for about 80 years, has been uncertain since China Entertainments, headed by Mr Joseph Lau, and Lai Sun Garments, controlled by Mr Paul Lam, acquired a 30 per cent holding two months ago from Mr David Liang, the outgoing chairman. Mr Liang is one of four board members to resign in recent months.

Mr Lau, who bought 20 of the 30 per cent from Mr Liang, has since been buying Hongkong and Shanghai Hotels shares in the open market, and acknowledges that his holdings now exceed 26 per cent.

If the Securities Commission were to find that China Entertainments and Lai Sun have been acting in concert, then they could be forced to make a full bid for the group, at a price likely to be close to HK$5bn (US$641m). Under Hong Kong's Securities Ordinance, a bid is only triggered once a shareholder controls more than 35 per cent

Public knowledge that Mr Lau had ambitions to win control of the group surfaced at its annual meeting two weeks ago, at which shareholders backing Mr Lau came within a whisker of upsetting a proposal for Mr Michael Kadoorie, the son of Lord Kadoorie, to be elected chairman.

The board of Hongkong and Shanghai Hotels submitted to the Securities Commission on Friday a report detailing its claim that China Entertainments and Lai Sun have been acting in concert.

Mr Ray Astin, Hong Kong's Securities Commissioner, said at the weekend that the Takeover Committee would hold a preliminary meeting today which would decide when the involved parties will "come forward and explain themselves."

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Alcoa §‡	150	2002	15	8¼	100	CSFB	8.250
Sapporo Breweries ¶‡	100	1992	5	1⅝	100	Nomura Int.	1.625
Okamura Corp. ¶‡	70	1992	5	2¼	100	Nomura Int.	2.250
American Brands §‡	400	2002	15	7¾	100	Morgan Stanley	7.750
Bell Resources §‡	200	2002	15	5¼	100	Nomura Int.	5.250
Credit Lyonnais ‡	150	1992	5	8¾	100¾	Shearson Lehman Bros.	8.528
Societe Generale (c) ‡	100	1992	5	7.8	101¼	Nomura Int.	7.141
Unicharm Corp. ¶	50	1992	5	(2)	100	Nikko Secs. (Europe)	*
S. T. Chemical ¶	25	1992	5	(2¼)	100	New Japan Secs.	*
Mount Isa Finance §	100	1997	10	(6½-7)	100	CSFB	*
CANADIAN DOLLARS							
Unigesco Inc. §	50	1997	10	(6¾-7)	100	Banque Paribas	*
Bell Canada (a) ‡	100	1996	9	9⅞	101.4	Nomura Secs.	9.635
AUSTRALIAN DOLLARS							
Mount Isa Finance §‡	125	1997	10	9¾	100	CSFB	9.750
F. van Lanschot (Jersey) ‡	40	1989	2	14¼	101⅝	Orion Royal Bank	13.421
RESI-Statewide ‡	50	1991	4	14¾	100	Banque Indosuez	14.750
State Bk of S. Australia †‡	75	1994	7	(b)	100	Bank of Tokyo Int.	–
Ford Motor Cr. Australia ‡	50	1992	5	14	101⅞	Hambros Bank	13.481
NEW ZEALAND DOLLARS							
Pepsico Inc. ‡	60	1989	2	18½	101½	Hambros Bank	17.704
D-MARKS							
Interfinco (Lux.) ‡	150	1994	7	5¾	100	SBC (Germany)	5.750
Archer Daniels M'land ‡	150	1997	10	6	99½	DG Bank	6.088
SWISS FRANCS							
Crowthers Finance (a) §	50	1997	–	(3¾)	100	Shearson L'man Amex	*
Tanabe Seiyaku** §‡	100	1992	–	⅝	100	UBS	0.626
Breakwater Resources §	35	1995	–	5⅝	100	Banque Indosuez	5.447
Enterprise Oil ‡	105	1997	–	5	99½	SBC	5.065
Yokohama Trans'ion** ‡	20	1992	–	4¾	100	IBJ (Switzerland)	4.750
Hamamatsu Photonics** ‡	30	1992	–	4¾	100	Handelsbank	4.750
Aegon NV (f) **‡	100	1992	–	2½	100	Citicorp Inv. Bank	2.500
STERLING							
News Int. ɸ‡	75	1992	5	9⅝	100½	CSFB	9.495
P&O §‡	75	2002	15	4¾	100	Warburg Securities	4.750
ECUs							
Portugal ‡	150	1994	7	7¾	101¾	Daiwa Europe	7.421
GUILDERS							
IADB ‡	200	1997	10	6½	101	ABN	6.362
FRENCH FRANCS							
Renfe ‡	600	1992	5	9	101	Bqe Indosuez/CCF	8.745
LIRE							
Eurofima ‡	100bn	1995	8	10	101	San Paolo Bank	9.814
AUSTRIAN SCHILLING							
Austria ‡	1.8bn	1995	8	6¾	(d)	Creditanstalt	–
YEN							
Swedish Export Cr. ‡	20bn	1992	5	4½	102	Mitsubishi Finance	4.050
Finland ‡	20bn	2007	20	5⅛	100½	Yamaichi Int. (Eur)	5.085
DFC Finance ‡	15bn	1992	5	4½	101⅝	Fuji Int. Finance	4.134
State Bk of S. Australia ‡	15bn	1992	5	4⅜	101¾	Nomura Int.	3.982

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate notes. ¶ With equity warrants. ɸ With bond warrants. ‖ Currency-linked. § Convertible. (a) Convertible preference shares. (b) Coupon: First year 3 month bank bills of exchange. -65bp. Years 2-7: 3 month bank bills of exchange -45bp. (c) 'Rainbow Bond'; Redemption based on future exchange rates of a variety of currencies. (d) Not disclosed. (e) Launched in Japan. (f) With gold warrants issued by Amro Bank. Note: Yields are calculated on AIBD basis.

Kyocera makes rapid recovery

By Yoko Shibata

KYOCERA, the world's leading producer of ceramic packages for semiconductors, is recovering rapidly after the business slump caused by the yen's appreciation, even though its pre-tax profits in the year to March 31 fell by 13 per cent to Y34.33bn ($247m). Net profits were down 16 per cent to Y16.47bn.

Kyocera expects pre-tax profits of Y44.5bn on turnover of Y276bn in the current financial year thanks to its cost-cutting efforts, and is considering raising its dividend.

During the past year, Kyocera's semiconductor component sales picked up and those of electronic equipment, such as laser beam printers and hard disk drives, increased smoothly. However, ceramic component sales were sluggish. As a result, overall sales were down 2 per cent to Y242.58bn.

For the current fiscal year to March 1988, Kyocera expects buoyant sales of electronic equipment, as well as optical products.

The main recovery potential for earnings stems from strong sales of semiconductor components, such as the ceramic packages in which the company has 60 per cent of the world market.

Italian share system in conflict

BY ALAN FRIEDMAN IN MILAN

A CONFLICT over the right of Italian banks to engage in continuous share trading is expected to break out this week between Banca Nazionale del Lavoro (BNL), Italy's largest bank, and Consob, the stock market regulatory authority.

The conflict concerns a Consob order, announced on Friday, forbidding BNL from operating its continuous share trading system, which is linked to Reuter terminals. The bank is expected to challenge the Consob order in the courts.

The Rome-based bank broke new ground in the Italian equity market three months ago by launching round-the-clock, electronic share trading.

This, in turn, led to a battle between banks such as BNL and Credito Italiano on the one hand, and Milan's 120 registered stockbrokers, who fear that an Italian version of London's "Big Bang," or deregulation, could cost them their monopoly on hefty fixed commissions on the bourse.

BNL's share trading system has been suspended in recent weeks, and Consob has been mediating between banks and brokers. Consob has prepared a 102-page reform package designed to modernise the Milan stock market, create new mixed firms dedicated to equities trading, and introduce regulatory controls.

BNL, however, announced last Thursday that it would re-start its continuous trading system again on May 25. On Friday Consob told BNL it would not be allowed to do so.

"This Consob document would depend on parliamentary approval in order to become operative," said Mr Nerio Nesi, chief executive of BNL. "In this country that could take ages and ages."

He said that Italy could not afford to wait for years for legislation to reform the bourse. If Consob did not allow BNL to operate its system, the bank would obey the ruling but would launch a legal action against it. That decision could be taken by the board of BNL in the next day or so.

Montedison, ENI open merger talks

BY OUR MILAN CORRESPONDENT

MONTEDISON, the Italian private sector chemicals company, and ENI, the state energy holding group, have begun top-level negotiations aimed at merging some of their interests.

The talks, which could lead to an important rationalisation of the Italian chemicals industry, concern the companies' base chemicals, petrochemicals, plastics and specialty materials, fertiliser and pesticide interests.

ENI first proposed discussions last October, but Montedison did not respond until last month, when it proposed acquiring Enichem, the state-owned group's chemicals subsidiary. ENI decided not to sell Enichem but to pursue talks over possible mergers or joint ventures instead.

The significance of these negotiations, which concern state and private chemical assets with L16,000bn ($12.3bn) of combined annual turnover, was underscored on Friday by the presence at a two-hour meeting of Mr Franco Reviglio, chairman of ENI, Mr Mario Schimberni, chairman of Montedison, and Mr Raul Gardini, chairman of Ferruzzi, the agro-industrial group whose 40 per cent shareholding in Montedison gives it effective control.

Also reported to be involved in the ENI-Montedison talks is Mr Enrico Cuccia, the veteran Mediobanca director, who is said to be trying to involve the Milan merchant bank as a shareholder in any new joint chemicals venture.

Henley declines further in quarter

BY JAMES BUCHAN IN NEW YORK

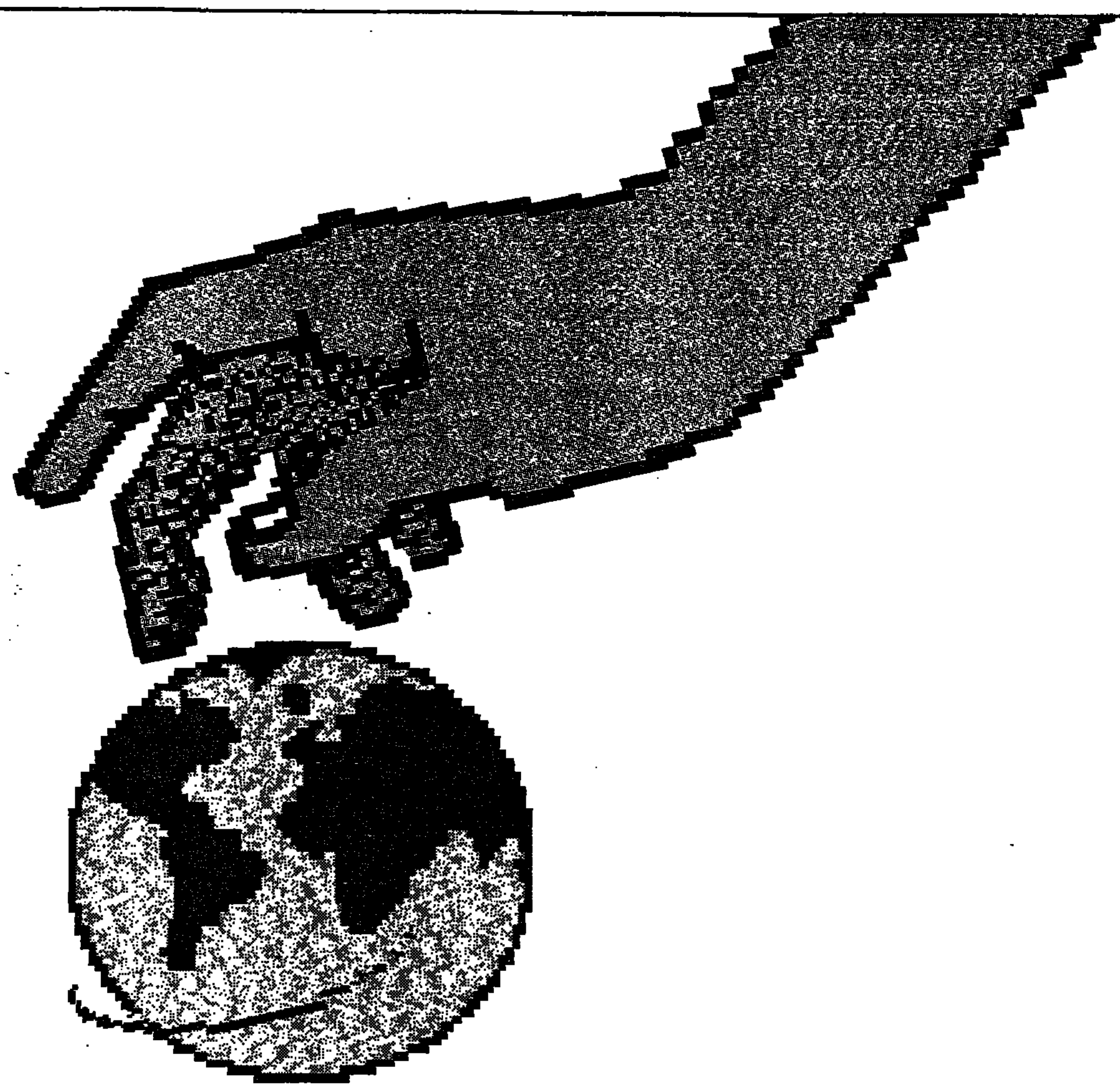
HENLEY GROUP, the diverse collection of businesses and assets spun off last year by Allied-Signal, the energy, chemicals and fibres group, reported an increase in its losses for the first quarter to $83m from $23m.

Henley, which generated intense enthusiasm from investors at its $1.3bn stock offering last May, said that the losses included various special charges relating to the write-off of goodwill in its businesses, higher depreciation on revalued assets and a $65m payment to Allied-Signal.

Revenues increased from $721m to $868m, thanks largely to Wheelabrator Technologies, its engineering and construction division.

The Henley group, a collection of low-margin or unprofitable businesses rejected by Allied-Signal, attracted institutional money managers into its record stock offering last year on the strength of its management, which under Mr Michael Dingman has built up a reputation for squeezing value from unpromising industrial concerns.

The group was expected to acquire other companies to restructure and last year negotiated some $3bn in credit lines.



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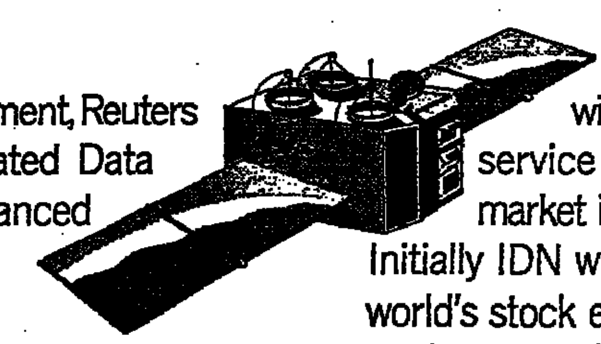


After five years in development, Reuters is ready to unveil its Integrated Data Network (IDN), the most advanced global information network in the world.

IDN is a unique achievement. It will deliver Reuters full unrivalled range of data, beginning with the fastest, most comprehensive service of securities quotes, news and market information from around the globe. Initially IDN will provide stock quotes from the world's stock exchanges, together with off-floor market makers' quotations.

It will transmit them via cable and satellite to our international databases. Each database is duplicated.

Reuters communications network will distribute this data to subscribers' terminals around the world.

For the first time, you'll have all the information you want, but only the amount you need.

REUTERS
EQUITIES

TOWARDS ► 2000 ►

Mike Smith explains how Stone International has fallen on hard times

Getting a grip on management controls

When Stone International was launched triumphantly on the stock market three years ago, chief executive Mr Robin Tavener put the company's recent success down to hands-on management. The hands, it seems, have slipped.

Last week the group, once part of the failed textiles machinery company Stone-Platt Industries, announced that a series of calamities will cause pre-tax profits to fall from £6.09m in 1985-86 to around break-even in the year ending this month.

To prevent gearing from rising above 100 per cent, one of the company's most profitable subsidiaries is to be sold and the dividend to shareholders is being reduced.

To some extent Stone, world leader in the manufacture of air-conditioning equipment for the railway industry, has been the victim of bad luck. Increased charges for product liability insurance in the US, for example, are responsible for £1m of the profits downturn.

The company quite candidly admits, however, that much of the problem has resulted from poor management controls. "We have been shooting ourselves in the foot," says Mr Tavener.

It all promised to be so different when Stone was floated amid a flood of favourable publicity in February 1984. Although the company had been part of Stone-Platt, which had gone into receivership two years previously, it had always been profitable as a division and it had a reputation for producing high quality products.

Mr Tavener had worked with Stone-Platt for most of the last 10 years of its existence but his reputation had survived relatively intact. True, he had served as chief executive of Stone-Platt but he was in the job for less than two years and he had left, because of a policy disagreement, six months before the receivers were called in.

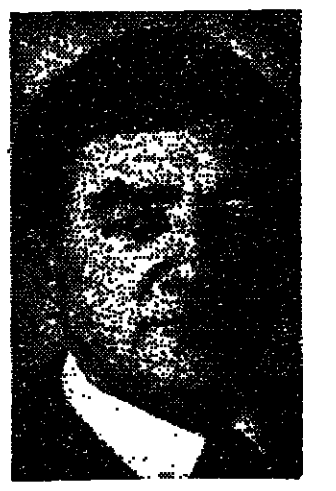
And, after all, it was he who had headed the electrical division (the core of today's Stone International) when it more than doubled sales to £42m and took pre-tax profits from break-even to £4.6m in the four years after 1974.

The management buyout team which Mr Tavener and finance director, Mr John Oratis put together in May 1982 made its mark quickly; and less than two years later their offer for sale on the Stock Exchange was 18 times oversubscribed. Success, however, was short-lived.

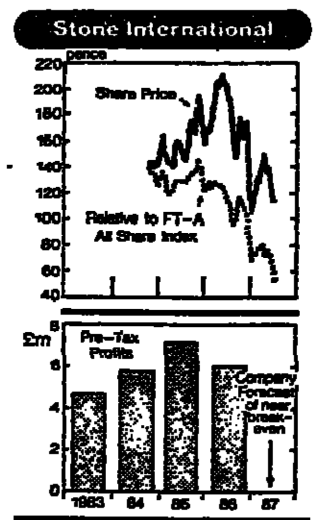
Hints of trouble first emerged at the end of 1985, when interim profits were shown to be down partly because of a delay in the delivery of orders both in the US and the UK. But the full extent of the downturn only became apparent last week.

Stone's biggest problem stems from a disastrous air-conditioning contract its UK transportation division at Crawley took on for the New Jersey port authority, Port Authority Trans Hudson (Path), in 1985.

At the time Crawley's order book, always subject to volatility because of the relatively narrow home market, was unusually low and Stone was glad of the work even though it meant a drastic cutting of margins; perhaps it should not have been.



Robin Tavener, chief executive of Stone International



The order suffered from the lack of a project manager and in the end large parts of it had to be reworked twice. "We got the second design so badly wrong we couldn't believe it," says Mr Tavener. "The first four units had to be scrapped altogether."

The Path problem disguised other serious inadequacies in the plant. "We were not running Crawley in a professional and systematic manner," says Mr Tavener.

Computer systems, for example, had been neglected, he says, and inefficient raw materials procurement meant that deliveries were delayed. In order to catch up, money had to be spent on overtime and subcontracting. All in all the Crawley plant is expected to incure losses of around £3m in 1986-87.

With US demand for air-conditioning equipment in trains running high, Stone might normally have expected Stone Safety, its US subsidiary, to make up for the Crawley shortfall.

However, Safety did not have the right equipment to build the hand-wound custom-built motors which its increasing number of customers needed. The resulting bottlenecks will lead to reduced profits this year.

Stone's tale of woe continued at US boiler maker Stone Johnston, where 90 per cent of the workforce changed following a six-week strike in August and September. The combination of a green workforce and a flat market means Johnston will produce losses this year of about £1m and Stone is now negotiating its disposal to local interests.

Take all these problems together, add in the £1m increase in product liability insurance in the US, and the result is that there will be no significant, if any, pre-tax profits for this year and net borrowings have risen from £16.4m at the end of the last financial year to £29.9m in mid-April. Last week the board decided to act.

Mr Taverner denies that any of the company's shareholders or creditors were seeking to impose a solution but the Stone-Platt collapse, which was precipitated by banks refusing to extend credit, can never have been far from the minds of the board members.

The move they decided upon—to sell the company's 75 per cent stake in Andrews Group, one of its two most profitable subsidiaries which it brought less than two years ago—must have been extremely painful.

Stone's acquisition during the last three years have not all been well received by the market—the purchase of boiler makers Danks and Allen from the receivers was criticised by some analysts because of the danger of the new subsidiaries diluting the quality of earnings.

Andrews, however, has been an obvious success, as has been shown by Stone's ability to make sell its three-quarter share of the company for £21m, which compares with a purchase price of £6m in August 1985.

Although Andrews make portable heating and air-conditioning equipment it was not integrated with the rest of the group. By selling it Stone will cut its gearing to about 30 per cent but in future years it will miss its profits contribution. Last year Andrews made operating profits of about £2.2m and organic growth is strong.

What prospects are there for the rest of the group? Analysts are agreed that Stone's core products—heating and air conditioning equipment for railway carriages—are usually of a high quality, notwithstanding the Path debacle. The problem, they say, has been lack of management controls.

Stone says it has now taken remedial action. Mr Pat Fordham, a former Hawker Siddeley employee with a background in train equipment manufacturing, has recently been appointed to head the group's transportation divisions throughout the world and new management has been in place at Crawley since January. The effects are already being felt, according to Mr Tavener.

The Crawley plant's order book looks encouraging. With the start of the next financial year still a fortnight away, the plant has 75 per cent of the contracts it needs to achieve its £18m orders budget.

Elsewhere the group says its performance will be helped by the elimination of losses at Stone Johnston, the solution of the bottlenecks at Safety and the emergence of profits from the boiler company acquisitions.

If those assumptions are accepted, then analysts are looking for between £3m and £4m for the year ending May, 1988.

Question marks must remain, however, over a group which this time last year was expected to produce 1987 profits of £7m but which four months ago told shareholders to expect just £3m and then last week was predicting next to nothing.

Mr Tavener is a man under pressure. He admits that Stone has lost credibility in the City and that for the next year at least he and his team will be on trial.

"If we are allowed to get on with the job we will produce the results," he says.

Inoco reduces its losses to £0.97m

Inoco, the oil and gas exploration and production company, reduced its pre-tax losses from £1.2m to £967,000 on turnover up substantially from £364,000 to £1.76m in 1986, its first year as a fully-listed company.

The losses reflected the weakness in oil and gas prices during the period, the directors said. These were struck after exceptional write down from a further review of the future value of recoverable reserves in the US amounted to £540,000, down from £1.18m plus exchange losses totalling £138,000 (£51,000).

However, they said that a firm foundation had been established for the future development of the company and they were confident that further progress would be made.

An extraordinary debit of £646,000 comprised the costs of Inoco's abortive attempt to buy Petranol in April last year. The company built up a 6.6 per cent stake in Petranol but a ruling by the Takeover Panel forced Inoco to withdraw its bid for the remainder of the share capital.

Operating profits amounted to £497,000 (£126,000) and interest payable to £87,000 (£19,000 credit). Investment income added £11,000 (nil). Tax took £186,000 (£38,000 credit), after which losses per share worked through at 5p (5.1p). Net assets per share totalled 19.3p (29p).

FT Share Information

The following securities have been added to the Share Information Service:

Ardmore Petroleum A Ord. (Section: Third Market)
BellSouth Corp. (Americans)
Crown Eyeglass (Third Market)
Dominion Mining & Oil N.L. (Mines, Australian)
Melville Street Inv. (Ord. & Warrants) (Trusts, Finance Land)
Molex Inc. (Americans)
RCO Hldgs. (Industrials)

Public Works Loan Board rates

Effective May 13

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
1	—	—	8⅝	—	—	9¼
Over 1, up to 2	8⅞	8⅞	8⅝	9¼	9¼	9
Over 2, up to 3	8½	8½	8⅝	9¼	9¼	9⅛
Over 3, up to 4	8½	8½	8⅝	9¼	9⅜	9⅛
Over 4, up to 5	8⅝	8⅝	8⅝	9⅛	9⅛	9⅛
Over 5, up to 6	8⅝	8⅝	8⅝	8⅞	8⅞	9
Over 6, up to 7	8⅝	8⅝	8⅝	8⅞	8⅞	9⅛
Over 7, up to 8	8⅝	8⅝	8¾	8⅞	8⅞	9⅛
Over 8, up to 9	8⅝	8¾	8⅞	8⅞	8⅞	9⅛
Over 9, up to 10	8⅝	8⅝	8⅞	8⅞	9	9⅛
Over 10, up to 15	8⅝	8⅞	8⅞	9⅛	9⅛	9⅛
Over 15, up to 25	8⅞	8⅞	9	9⅛	9⅛	9⅛
Over 25	9	9	9	9⅛	9⅛	9⅛

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMPANY NEWS IN BRIEF

SUTER, the industrial conglomerate, has increased its stake in **Mitchell Cotts** to 7.9m shares, or 8 per cent of the company.

HUNTER said acceptances of its offer for **Dom Holdings** had been received in respect of 6,869,919 Dom shares (91.6 per cent). Elections for the cash alternative (the separate offer by Hillsdown Holdings for new Hunter shares) had been received in respect of 2,038,828 Dom shares (27.2 per cent). The offer will remain open for acceptance until further notice. The cash alternative will be withdrawn at 3.00 pm on May 29 1987.

CHARTERHALL has increased its shareholding in **Trillon** to 24.48 per cent through the market purchase of 2.66m shares costing £2.98m. Notwithstanding Trilion's disappointing first half results, reported Thursday. Charterhouse said it regarded the company as well managed in an industry with good growth prospects.

TURNER & NEWALL is making a special rights offer to share and option holders of AE who were unable to participate in the recent rights issue because they had not accepted Turner's bid for AE before it closed. They are invited to subscribe for one Turner share at 205p for every six they would have acquired under the compulsory acquisition provisions. Payment is due by June 5. Up to 740,352 shares could be issued.

JAMES FERUGSON received acceptances for 6,733,973 ordinary shares—96.85 per cent—of its rights issue. The remaining 219,027 have been sold at a premium of 19.75p.

C.I. GROUP is acquiring J. & F. Pool (Holdings) and Clews Brothers. It is making a recommended offer for Pool equivalent to 35p a share valuing the general engineer at £1.1m Holders of 98.2 per cent of the shares have undertaken to accept irrevocably. Clews, press tool punches and dies maker, is being bought for £600,00, to be satisfied by the issue of 1,469,828 C. I. Group ordinary.

WILSON (CONNOLLY) Holdings (property development, investment and building contractors): Mr Lynn Wilson, chairman, told shareholders at the AGM that the NHBC had recorded that the first quarter of 1987 was the best for 17 years and that the company reflected the national trend. He was confident shareholders would not be disappointed in company's efforts this time next year.

CAMPARI International received acceptances in respect of 1,374,625 ordinary shares—96 per cent of the shares offered by way of rights—by the closing date at 3 pm on May 13.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year
Allied Colloids	June 19	Final 1.8
*Allied-Lyons	May 19	Final 6.25
Amersham Intl.	June 16	Final 4.58
*Assoc. British Foods	May 18	Final 4.2
Aust & NZ Bank	May 19	Interim 15cts
*BOC	May 18	Interim 4.37
*BT	June 18	Final 4.5
*Bass	May 20	Interim 4.2
Beecham	June 11	Final 6.9
*Boots	May 28	Final 4.6
*British Airways	May 19	Final due
*British & Comwith	May 14	Final 2.8
*British Gas	June 17	Final due
British Land	June 18	Final 2.0
*Coalite	June 2	Final 5.5
Courtaulds	May 27	Final 4.75
*De La Rue	June 3	Final 24.75
Ferguson Industrial	May 22	Final 5.15
Great Portland Estates	June 10	Final 4.6
Hanson Trust	June 3	Interim 1.4
Guinness	June 16	Interim 2.24
*Harrisons & Crosfield	May 27	Final 15.5
Johnson Matthey	June 19	Final 2.0
London Intl.	June 19	Final 3.1
*Metal Box	June 9	Final 12.9
Meyer Intl.	June 17	Final 3.8
*Northern Foods	June 16	Final 3.75
Pilkington	June 11	Final 8.5
Plessey	May 22	Final 4.172
*Polly Peck	May 18	Interim 1.5
*RHM	May 20	Interim 2.12
*Redland	May 28	Final 7.617
Reed Intl.	June 4	Final 16.0
Sainsbury J.	May 20	Final 3.85
Sketchley	June 3	Final 12.8
Storehouse	June 5	Final 5.7
*Unigate	June 9	Final 6.25
*Whitbread	May 20	Final 5.55
*Wolverhampton & Dudley Bros	May 28	Interim 3.2

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

FINANCIAL TIMES STOCK INDICES

	May 15	May 14	May 13	May 12	May 11	May 8	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	92.62	92.92	93.02	92.92	93.15	93.32	93.32	84.49	127.4	49.18
Fixed Interest	98.07	98.05	98.54	98.35	98.39	98.25	98.54	90.23	150.4	50.53
Ordinary	1691.6	1684.2	1680.5	1670.4	1686.9	1658.7	1691.6	1320.2	1691.6	49.4
Gold Mines	429.9	420.8	421.4	428.1	428.3	438.2	485.0	288.2	734.7	43.5
FT-Act All Share	1092.15	1086.94	1079.68	1069.34	1077.35	1060.10	1092.15	835.48	1092.15	61.92
FT-SE 100	2189.7	2180.0	2163.4	2143.3	2163.3	2126.5	2189.7	1680.0	2189.7	986.9

UK COMPANY NEWS

Simon Holberton looks at the issues raised at the recent AGM of Olives Paper

Standing up to the big shareholder

TWO WEEKS ago an event took place in the otherwise unremarkable history of Olives Paper Mill of Bury, Lancashire, which raises issues of the role of directors in small public companies and the rights of big shareholders.

At Olives annual meeting, the remuneration of directors, especially the existence of a seemingly generous "golden parachute," together with the recent performance of the company, became central issues.

A poll of shareholders was forced by the company's biggest shareholder, Melton Medes which owns 18 per cent of the company, on resolutions concerning the company's accounts and the re-election of two directors. The result will be known on Thursday.

Melton Medes wants two non-executive board *posts*. It says it can contribute expertise to the company, and, by implication, lift its profitability. Olives' board, which consists of five executive directors, remains distrustful and has so far refused to accede to Melton Medes request.

Olives is one of the country's oldest independent single mill papermakers, and specialises in producing high quality coloured papers for general commercial use. Its best known brands are Colorbrite, Factotum, and Watermarques, which is marketed by Robert Horne.

In an industry which has seen the closure of about 140 papermaking machines in the past decade, Olives has survived, according to Mr Aubrey Heyer, its chairman, because of the company's decision to specialise following the UK's entry into the European Free Trade Association in the mid 1960s.

The entry into EFTA led to shakeout of small papermakers, due to the competition from fully-integrated Scandinavian mills. "We were producing all kinds of products, colour as well as bulk commodity grades," Mr Heyer said. "We decided to get out of the bulk area, so we would not be in competition with the fully-integrated mills in Scandinavia."

The niche Olives carved out for itself has allowed it to survive, but it has had great difficulty in growing. The company has a small capital base—shareholders' funds of only £1.6m—and has made meagre profits. Also it has suffered, until recently, with old plant and equipment.

Olives is coming to the end of a big refurbishment and re-equipment phase, which, in 1986 resulted in almost £700,000 of capital expenditures and which, Mr Heyer said, will allow the company to increase output 20 per cent to 15,000 tonnes. Two new flowboxes will be installed by Christmas, and these will complement a new cutting machine, and new ream-wrapping machinery.

Olive's next moves are to expand and raise more capital. Mr Heyer said the company is seeking to diversify into paper conversion, to increase the productivity and profitability of the existing business.

He also agreed that more capital is needed and that this could be raised by a rights issue. But shareholder support might not be forthcoming due to the company's poor profit performance.

Since 1981 turnover has steadily risen— from £6.18m to £8.3m—but it was only last year that profits exceeded £60,000, and for the past three years it has not paid a dividend.

Melton Medes appeared on the company's share register in March last year and currently owns 18 per cent of Olives' stock. The company has two other major shareholders, F and C Pacific Investment Trust, with 11.9 per cent, and the ITC Pension Trust, with 6.3 per cent. So far they have kept their counsel.

The niche Olives carved out for itself has allowed it to survive, but it has had great difficulty in growing. The company has a small capital base and has made meagre profits.

Today Melton Medes, which has interests in papermaking, plastics and carpets, says it has no intention of making a bid for the company — although it is believed it originally looked at Olives as a vehicle for its own listing—and is only interested in seeing it perform to its full and repay shareholders through regular dividends.

According to Mr James Philpotts, the chief executive of Melton Medes, it began to have discussions when Olives reported its interim results last November.

"We tried to find out the rationale for their business, and offered to help them, but the discussions led nowhere," he said.

"We are a successful group and we think we know something about managing a company. We think we could provide some useful input and we requested two non-executive board seats—we believe in the role of outside, or critical, directors for public companies—and we are still waiting for a reply."

"It is all very well for Melton Medes to make bland statements about improving profitability," Mr Heyer said. "What do they think we want? But they only entered the paper-making industry 18 months ago and they don't know much about it. They have not been prepared to state their objectives."

At the annual meeting Mr Philpotts also made the directors' remuneration an issue. He told the meeting that the company's five executive directors—who own 3.3 per cent of Olives—had five year management contracts with the company.

Furthermore, one clause in those agreements—which was new and had been renegotiated and passed by the board in March—allowed the directors to resign en bloc and collect 24 months pay if 25 per cent or more of the company's shares changed hands.

Mr Philpotts has since said he was informed during March of these agreements by another company which had had discussions with Olives. He would not name the company.

On the issue of contracts, Mr Hever says the board took advice from the company's solicitors. "They are not our own creation, we took advice and that was the advice given," he said.

According to management consultants in the City, Mr Heyer's remuneration of nearly £40,000 a year is high for a company with Olives' turnover and profitability. A lower salary with profit-related bonuses would be more usual, one said.

As for the "golden parachute"—the ability to resign and collect two years pay if 25 per cent of the company changes hands — management consultants said it was rare for one to be related to the control of a public company.

In Olives' case, if all directors resigned during or after a hostile bid, the new owners would be liable to a payout of at least £230,000 — a significant cost, given that the market only values the company at £2.79m.

"I can't think of one plc where main board directors have a golden parachute as such where it is tied to control," said one management consultant. "Most rely on breach of contract provisions at law in the case of a change in ownership."

The existence of golden parachutes has become a matter of shareholder interest in the US where some states have outlawed such deals. "They can conflict with the interests of shareholders," said one management consultant, "because they can deter a potential bidder."

Whatever the result of Thursday's poll, things are unlikely to be the same at Olives. Melton Medes will call an extraordinary meeting if it fails to unseat the two Olives' directors up for re-election to try to get its two men on the board that way. "Melton Medes will defend its position," Mr Philpotts said.

BOARD MEETINGS

TODAY

Interims: BOC, Crayton Lodge and Knight.

Finals: Aberfoyle, Asda Property, Associated British Foods, Grand Central Investments, Personal Assets Trust, TR Technology Investment Trust.

FUTURE DATES

Interims:

Govett Atlantic Invest. Trust	May 29
Midsummer Leisure	May 19
PWS Holdings	May 20
RHP	May 28
Viking Packaging	May 27
Wolverhampton & Dudley Brew.	May 28

Finals:

G.T. Management	June 3
Goldberg (A.)	May 22
Granyte Surface Coatings	May 21
Harrisons and Crosfield	May 27
Hill Ergonom	June 4
River and Mercantile Geared Capital and Income Trust	May 20
Triefus	May 21
RHP	May 20

FINANCIAL TIMES SURVEY

CONTENTS

Faced with a decline in traditional bucket and spade summer holiday business, because of competition from the " Costas ", Wales's tourist industry is having to change radically and exploit its growing popularity for short breaks, activity holidays and cultural pursuits, **Anthony Moreton** reports

The challenge of the 1990s

The medieval town of Conwy, Gwynedd, North Wales, site of one of Edward I's imposing 13th century castles, notorious in more recent times for bank holiday traffic jams. Work has just started on a £120m tunnel under the estuary which will by-pass the town, remove a bottleneck and make the north west coast of Wales more accessible.

" THE TOURIST industry is undergoing radical structural change," says Mr Paul Loveluck, chief executive of the Wales Tourist Board. " We are having to adjust to a decline in the main summer-holiday trade following the great inroads made by the package tours to the Costas.

" The traditional resorts have taken a battering, and this is as true of Wales as of the rest of Britain. Tenby and Rhyl have not escaped the effects any more than Blackpool and Torquay. So we have had to look for alternatives."

The Big Pit Mining Museum at Blaenavon, some 20 miles north of Newport in traditional coal country, is a prime example of how the industry is changing. At the Big Pit visitors go underground not just to see the museum artefacts but also to get a feel of what working in a colliery must have been like.

Within half a dozen years of being set up the Big Pit had attracted 110,000 visitors and become the 21st most popular attraction in Wales, receiving more visitors than Cardiff Castle, Tintern Abbey or Llandaff Cathedral.

The Llechwedd Slate Caverns at Blaenau Ffestiniog, in North Wales, which were opened up to the public in the early 1970s are even higher up the popularity league, attracting 221,000 visitors. Back in South Wales there is a wildlife park in the Dulais valley above Neath, a heritage park telling the story of the Rhondda, a mountain railway in Merthyr, the birthplace of steam locomotion, and even a Wild West park in the Rhondda.

In broad terms, some 40 per cent of the industry is concentrated in north Wales, 40 per cent in south Wales and 20 per cent in between. It employs some 90,000 people. Business expenditure is a far more important component of the tourist industry in the south. In terms of the pure holiday trade, the industry in north Wales is the larger.

The Victorian resort of Llandudno, carefully laid out with elegant buildings, wide streets and a magnificent promenade in the last century, is the biggest centre in terms of number of hotel bed spaces. The seaside resort of Tenby in Pembrokeshire, West Wales, is the second largest.

The industry is changing radically to meet the needs of the 1990s. It has achieved, according to Mr Loveluck, considerable growth in the number of people taking short breaks and second holidays, and there has been an extension of the season both in the spring and autumn shoulder periods.

There has, in addition, been a strong and successful emphasis on activity holidays (and not just physical activities: the arts are well catered for as would be expected in a country that places great emphasis on cultural activities), conferences, especially in Cardiff, have started to become a major income earner and there has been a big inflow of investment in hotels.

Despite these important advances there is still a debate over whether the industry is moving in the right direction. Dr Terry Stevens, of the West Glamorgan Institute, a leading academic watcher of the tourist industry, believes that tourism should be seen more as a community industry that affects everyone in the country.

" Far more local involvement is needed, and this is not happening at the moment. The tourist authorities are only consulting the industry, not the community,' he says.

" If we look at the way the economy is moving, with the decline in basic industry and in agriculture, we must take a radical view of initiatives, looking at the situation from the bottom up rather than top down."

Trying to attract major investments such as theme parks is counter-productive, he believes, because Wales is too far west for them to be commercially viable though he accepts that projects such as the Big Pit are compatible with his philosophy of the industry.

This view surfaced in a minority report by two MPs, Plaid Cymru's Mr Dafydd Wigley and Labour's Dr Roger Thomas, on the tourist industry undertaken by the House of Commons Committee on Welsh Affairs.

The majority view, though, was that the Wales Tourist Board had the emphasis right, but that significantly more spending was needed on facilities and marketing if tourism was to contribute more towards the ecnomic well-being of the country.

Tourism contributes about £600m to the Welsh economy, just under 20 per cent of that arising from foreign earnings. The industry took a knock last year, as did the rest of the UK, when American bookings dropped in the wake of the US air strike on Libya, and the threat of the reprisals.

Americans are important not only because they are the largest single group of overseas visitors—22 per cent—and growing, but they also stay longer and are therefore the big spenders.

The problem for Wales is that it only gets a fraction of those who come to the UK. It is estimated that at present only some 4 per cent of foreign visitors make their way west to Wales and while the figure has doubled in the last decade it is still under half the numbers going to Scotland.

High spenders, and the Americans in particular, demand top-quality facilities, especially hotels. Wales has recently had success in attracting the construction of four-star establishments, such as the Holiday Inns at Cardiff and Swansea, a Ladbroke, also in Swansea, and a number of others to the south-eastern corner of the country. Companile, a low-price but high-quality French group is unveiling a development in Cardiff this month.

But Wales still needs what Mr Norman Poole, the board's director of development, describes as a " flagship " place, the sort of hotel such as the Sheraton which Edinburgh has recently got or Gleneagles, for which Scotland is internationally famous.

The MPs' report also urged local authorities in Wales to be more tourism conscious and to do more to attract visitors to their areas. When the Wales Tourist Board went to the councils to seek their financial help in setting up a marketing officer in Dublin—a vitally important centre since Wales is the first point of contact for many Irish people going on holiday—only half the authorities put their hand in their pockets. And the board was seeking just £500 from each of them.

The MPs also called on the Government to be more generous towards the development of tourism. In particular, it recommended that assistance under section 4 of the 1969 Development of Tourism Act should be "substantially increased." Under this heading the board can give financial help towards the capital cost of any project that improves or provides tourist amenities.

Under it, a great number of projects have been assisted, such as a development at Llanfair PG station—the village with one of the longest names in the world—in Anglesey, Butlin's in Pwllheli and at the Trecco Bay caravan site at Porthcawl. But the total is minute: just £1.8m in 1984-85 compared with regional development grants to the manufacturing sector amounting to over £92m. The amount spent under section 4 each year is about the cost of half of motorway building.

However the board is being increasingly helped in its activities by both the Welsh Development Agency and Mid Wales Development, the public agency which promotes development in rural central Wales. Mr David Waterstone, chief executive of the WDA, has said that while "our global job is to improve the Welsh economy I certainly see no reason why the Welsh economy can only be improved through manufacturing industry." Independent forecasts have suggested that home spending on tourism in its widest context will rise by about 2 per cent a year in real terms for the next few years but that the overseas rise will be nearer 5 per cent.

"We are particularly well placed to cater for this strong overseas growth," Mr Lovelock states. "In the US we emphasise our heritage links, such as Caernarvon and Caerphilly castles, while in Western Europe we put across the picture of an unspoilt countryside.

"By going along this route, selling a special image of Wales in different countries, we are now adopting a much more sophisticated approach."

Tourism, he contends, is anything but a lame-duck part of the Welsh economy, "It makes a massive net contribution to the economy and is a vibrant sector. It will not only continue to do so but with a little more seed-corn money strategically used will make an even greater contribution."

TOURIST INDUSTRY IN WALES 2

North Wales

Tunnel to the future

MR CHRIS JACKSON, founder of the Welsh Mountain Zoo at Colwyn Bay and chairman of the North Wales Tourism Marketing Bureau, is proud of his product. "North Wales is exceptional in tourism terms in that it has a very strong image in the domestic tourism market, but one which means totally different things to different people."

Most people connect north Wales with holidays and leisure. But, for some, it is synonymous with the mountains of Snowdonia, for others, it brings to mind the Victorian elegance of Llandudno, the fun of the fair at Rhyl, the unique charm of Llangollen, or alternatively the sandy beaches of Anglesey.

Less happily, North Wales, certainly in the past, also conjured up images of chronic Bank Holiday traffic jams. Things have improved greatly.

The key, however, is the £120m Conwy tunnel which will carry the A55 expressway across the Conwy estuary, and by-pass the medieval walled town of the same name. Construction is now underway, putting in prospect the removal of north Wales' worst holiday traffic bottleneck.

It is the most important section in a £430m programme which will create a continuous dual carriageway between Anglesey and the English border by the early 1990s.

Completion of the Conwy tunnel will extend the area which is within two hours travelling time of another major conurbation—Manchester, and enable the north Wales tourism to tap a major new source of day-trippers.

It will also help bring conurbations even further afield, such as the cities and towns of Yorkshire, and even Scotland, within easy weekend reach.

Completion of the tunnel will also facilitate travel in and around the region, restoring the ability of resorts like Llandudno to act as a convenient base for trips to the region's growing range of tourist venues.

These are in the process of being bolstered significantly, with the active and often proactive support of the Wales Tourist Board, local authorities, bodies such as Cadw, Welsh Historic Monuments, and even the Welsh Development Agency as part of a general drive to maintain and, if possible increase, the contribution of tourism to the local economy.

Among the leading investors is the Scots woollen group, James Pringle & Son, which has just opened a £2m visitor and craft centre at the most famous village railway station in Wales, *derelict for many years and as* such a great disappointment to those who flocked to see it, namely Llanfairpwllgwyngyll ......

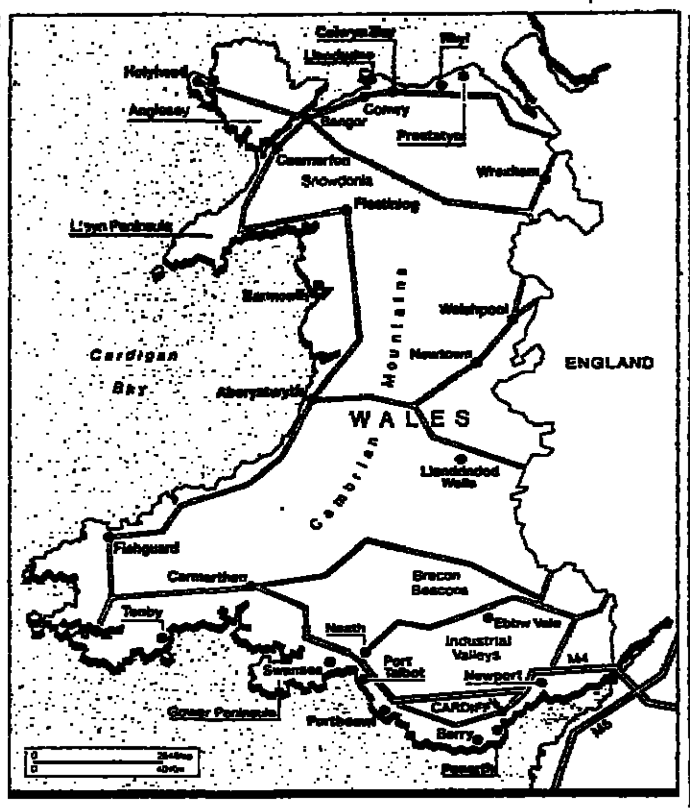
An equally important investment has just been made in new engines for the Snowdon Mountain Railway following its recent purchase by the Cadogan Property group and a major refurbishment of the restaurant and other facilities at Snowdon's summit with the help of a, cocktail of grants from a consortium of public agencies.

Beyond Snowdonia, Clwyd Council is developing Bodelwyddan Castle on the A55 as a major new attraction—part is becoming an outlying exhibition centre for the National Portrait Gallery, and Delyn Council is mobilising the rich industrial archeology of the Greenfield valley at Holywell, to the same end.

There are other major projects promised. For example, an appropriate developer is being sought for a large, fully serviced site at Glyn Rhonwy, near Llanberis, recently vacated by the Central Electricity Generating Board after completion of the Dinorwic pump-storage scheme.

A major study is also under way into how Conwy's unique attraction as a medieval walled town might be mobilised once the estuary crossing is built and through traffic can be excluded.

Robin Reeves



Mid-Wales

Festive key to the countryside

"The scenery tends to be the backcloth to the holiday. We wanted to bring it to the forefront." This is how Dr Iain Skewis, chief executive of Mid Wales Development (MWD), the Government-funded development authority for the area, summarizes the thinking behind Mid Wales highly successful "Festival of the Countryside."

The festival recently secured for the organisation a British Tourist Authority Come to Britain award for public enterprise and is now being used as a basis for marketing "Welsh Country Holidays" through the trade and via direct selling.

The festival was launched two years ago with the backing of the Countryside Commission, the Welsh environment body, Cynefin, and Dr David Bellamy, the television naturalist. It has been built up into a summer-long programme of more than 500 events, attracting people of all ages to an area which the average tourist has tended to pass through.

The events range from daily and weekly guided walks, talks and films, panning for gold in disused mineworkings, mountain biking in remote countryside to special exhibitions, fairs and gatherings, and farm open days.

MWD provides the direction, the themes, the marketing and runs some of the main events. *Otherwise, the festival is in the hands of expert local organisations.*

The value of festivals and events is that, as Dr Skewis points out, they can give a particular place a very strong image (for example Cowes week and the Braemar gathering) yet need not involve the provision of expensive hardware, at least initially.

Apart from the festival of the countryside, MWD has also either initiated or backed a festival of transport, centred on Welshpool, Blaenau Ffestiniog and the Great Little Trains of Wales; Brecon jazz festival; the Newtown stampede; and the Bala water sports festival which is already attracting over 20,000 visitors after just two years and which is confidently expected to grow into a week-long event.

Among the range of schemes being promoted under its Welsh Country Holidays label are a "Trails to Wales" hotel voucher scheme aimed at diverting car-borne tourists from the Midlands into Mid Wales; Great Railway Journeys of Wales where £7m worth of improvements by British Rail have resulted in a 25 per cent rise in traffic; a week's unlimited fishing or golf in the region for £35 and £30 respectively; and Welsh Gold, an upmarket hotel package designed particularly for the US.

Robin Reeves

Resorts

New investment pays off

WALES' LONG ESTABLISHED holiday resorts are gearing themselves to the challange of changing fashions in tourism and, in particular, the very fierce competition from Continental and overseas destinations.

Between 1978 and 1985, the number of holidays taken abroad each year increased from 9m to nearly 16m, underlining the growing preference among UK consumers for overseas package holidays in place of the traditional week or two week holiday by the sea in Britain.

The leading Welsh resorts, which still enjoy the single largest (9 per cent) share of this traditional domestic bucket and spade holiday business apart from the West of England, recognised in the late 1970s and early 1980s that they needed to update their appeal if they were to survive into the 1990s.

The pioneering step was taken by Rhyl's · Rhuddlan borough council which gambled major resources on building the Rhyl Sun Centre in 1980 as an all-weather facility. This is now established as Wales' most popular tourist venue, attracting half a million visitors a year.

The same council is now turning its attention to neighboroughing Prestatyn where an ageing swimming pool has just been revamped at a cost of £2m into the new Nova Centre, a smaller, all-year-round, version of the Sun Centre. Hemm Inns, the new owners of Pontins, are also planning to invest in two holiday centres at Prestatyn.

The largest Welsh resort, Llandudno, has also benefited from major investment. Canolfan Aberconwy Centre, built in the early 1980s with EEC assistance, has enabled the resort better to compete for conference business. The finishing touches are just being put, too, to the second largest artificial ski slope in Britain—300 metres long—on the Great Orme overlooking the town and this promises to provide another significant boost to all-year round business.

Within the past month, plans have been unveiled by developers Clifford Barnett, for an £8m arts, leisure and convention complex, which would include a 1,500-seat theatre and north Wales centre for the Welsh National Opera, though the project will require Government financial backing if it is to see the light of day.

Around £16m has been spent by hotel groups in the town over the past decade, providing en suite bathrooms and central heating in particular. Almost half Llandudno's hotels now have central heating, and guest houses, too, have spent a total of £340,000 since 1984 in response to the Wales Tourist Board-backed Resorts Accommodation Incentive Scheme (Raise) which assists small operators.

In Mid Wales, the town of Aberystwyth is looking for a revival in its fortunes as a holiday resort following execution of the long-planned £10m Aberystwyth harbour development scheme.

Preliminary works, such as a new fish quay and lifeboat jetty, have already been carried out by Ceredigion council and the Parliamentary Bill permitting the scheme, is close to approval. Tenders are now being invited from developers for the reclamation of about 4 acres of land and the dredging and preparation of basin, pontoons, and other facilities for mooring at least 200 craft. It should be in operation by the early 1990s.

Meanwhile, Barmouth is the subject of a special shop front incentive scheme by Mid Wales Development aimed at giving the resort a facelift. Discussions are also taking place with Mecca on a major new facility for the town.

Inland in mid Wales, the Victorian spa town of Llandrindod Wells is exploring ways of taking more advantage of its long bowls tradition by extending its indoor bowling facilities to generate winter business.

More intriguing still Mid Wales Development is examining the possibility of extending the town's increasingly popular Victorian Festival to give it a permanent period character of, say, an Old Sturbridge or Williamsburg in the US.

In south Wales, Majestic Holidays is promising to revitalise one of the most traditional resorts—Barry Island—with a £15m investment programme over the next eight years. This follows its purchase of the island's 50-acre holiday centre from Butlins earlier this year.

But there is no room for complacency. Mr Prys Edwards, the Wales Tourist Board chairman, told a recent conference on the future of the resorts that while a great deal had been achieved in terms of both marketing and development, "more resources are desperately required to develop more indoor leisure and conference facilities at resort hotels." At present only seven hotels in Llandudno and six in Tenby had indoor swimming pools. "This is now one of priority areas for development," he added.

Robin Reeves

The Valleys

Industrial past beckons

FORTY YEARS ago, when the coal industry was nationalised, over 113,000 men worked underground in the valleys of South Wales. Pits like the Lady Windsor, Deep Navigation and Tower contained the elite of the industrial workforce.

Thousands more were in the rolling mills and blast furnaces of the steelworks, from Ebbw Vale in the east to Llanelli in the west.

Now only 14 pits are left in South Wales and they employ just over 10,000 people. Steel, too, has had to come to terms with being a much smaller industry.

In their place are coming the new industries, especially leisure industries. The Rhondda now has a Wild West park, where the imitators of Jesse James and Doc Halliday, rule their own OK Corral. It is also preparing a heritage park to explain its famous industrial history. Over in Merthyr, home of the first form of steam locomotion in the world, a miniature railway trundles through the countryside.

The Dulais valley, above Neath, has a wildlife park and it is possible to go underground at the Big Pit in Blaenavon. It is in Ebbw Vale, though, that the *focus of much attention will be* placed in the next few years as this will be the home of the first garden festival in Wales.

The two national festivals held so far—Liverpool and Stoke-on-Trent—and the one to come in Glasgow have been seen very much by the government as vehicles for the regeneration of run-down inner-city areas. Ebbw Vale is far from being inner-city but it still carries the aftermath scars of its once massive steel industry. It is hoped that the 1992 festival will give this part of the Gwent valleys a much needed economic boost.

The festival, according to Blaenau Gwent, the local authority, offers more than a short-term palliative to the local economy; it marks the beginning of a new future, a shedding of the former image.

The Wales Tourist Board sees the festival as a catalyst for a large amount of investment in the whole of the eastern valleys, a means of upgrading hotels, inns and other facilities to the standards expected by travellers.

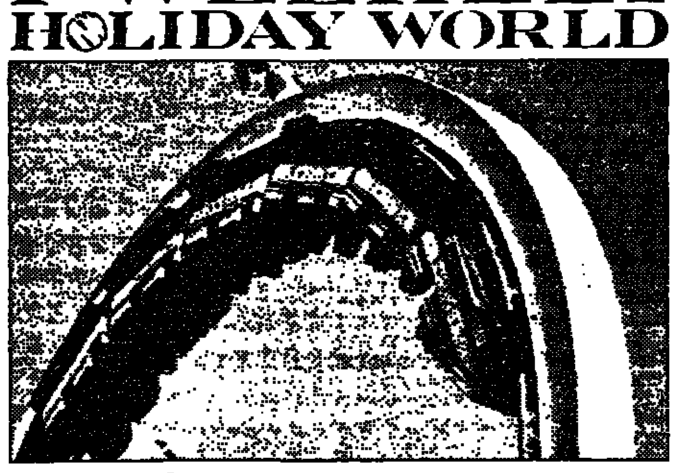
Further up the valley, alongside of the Heads of the Valley road, *the young Brynbach park* has already attracted international water-skiing championships to its lake. Much of the park faces reinstated former coal mining land and shows just how the new can live with the legacy of the old.

The most vigorous campaign to attract new tourist investments has, however, been undertaken in the unlikely setting of the Rhondda. The borough which recently saw the closure of the last pit in the area has energetically marketed itself at a wide range of venues. The centrepiece of its tourism development is a heritage park which tells the story of the community whose name is synonymous with the coal valleys of Wales throughout the world.

"What we are seeing in the valleys," says Mr Norman Poole, director of development at the Wales Tourist Board, "is a complete change of image. The valleys are no longer solely a place of coal and steel even though that is the conception many people still have about them.

"They are changing and changing rapidly. They are becoming places to which people want to go to spend a pleasant time. This is a major breakthrough and is only coming about because of the much-improved *facilities being offered."*

Anthony Moreton



Projects

New attractions boost economy

WALES IS never going to compete directly with the Costas. The package-tour trade is now so deeply entrenched in the British consciousness that the image of sun, brown bodies and a sense of "being abroad" makes it very difficult for the average British seaside resort to compete with the glossy colour brochures.

Even the Blackpools and Great Yarmouths and Scarboroughs, with their indoor amusements to hedge against the weather and their night-time entertainments, have their work cut out competing.

There is, nevertheless, a substantial part of the community that does not want to, or cannot, go abroad for its holidays but which still demands something more than just sitting on a beach with a bucket and spade for the children.

The British holiday industry is changing to cater for these newer needs. Entertainments, ranging from activity holidays — and not just for the under-25s — to leisure centres are the name of the game. Westminster Abbey, the Tower of London, Harewood House, or Sir Peter Scott's bird-life sanctuary at Slimbridge in Gloucestershire are all major attractions.

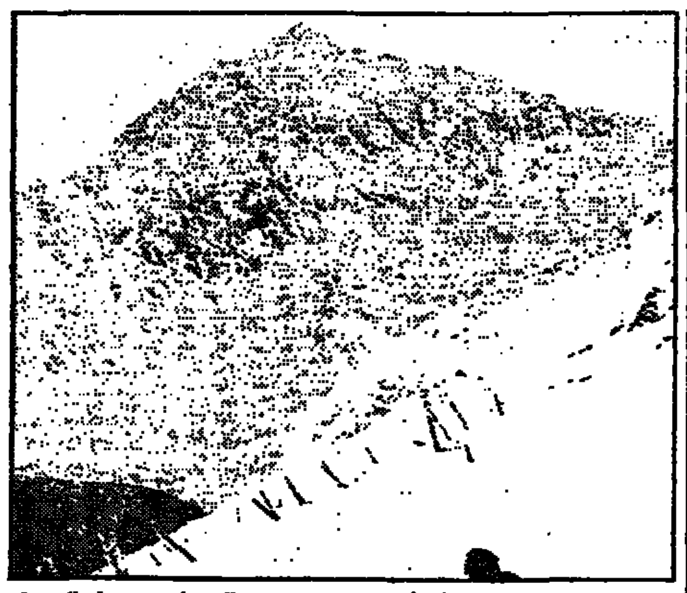
The Wales Tourist Board has kept abreast of this development by identifying a number of projects for encouragement. Considerable emphasis has been placed on tourist spots such as Penscynor Wildlife Park in the Vale of Neath, Big Pit in Gwent which offers an opportunity to experience life underground in a coal mine, and marina developments around the coast of Wales.

"Projects such as these offer great scope for development and are important in bringing both jobs to an area and boosting the level of spending in a local economy," according to Mr David Owen, the board's development director.

These projects take on added importance to the economy of Wales as a whole since it has been estimated there are at least as many day visits made in the country as overnight stays — about 50m, of each in 1983, when a survey was last undertaken.

Some of the centres that are major attractions are profiled. They are not a representative cross-section of what is available in Wales but give a picture of the sort of project which is becoming an integral part of the tourist economy.

Anthony Moreton



Snowdon (3,560ft), the highest mountain in Wales, and a mecca for climbers and walkers, summer and winter.

Trecco Bay gets the treatment

TRECCO BAY is one of the largest caravan parks in Europe, if not the largest. There are about 3,000 vans on site. For years it sat at the entrance to Porthcawl, a not very satisfactory introduction to a town that prides itself on its gentility and a golf course that is one of the best in the country.

More recently Trecco has had a facelift. First Leisure Corporation, which now owns the site, has spent some £2.75m in the past three years improving the landscape, upgrading the entertainment facilities and putting in or modernising the water, electricity supply and lavatories and showers.

The investment is the sort of spending that the Wales Tourist Board wants to see injected into improving facilities. With it has gone a change of name: now it is called Trecco Bay Caravan Resort.

The spending, which has taken place since a management buy-out from THF Leisure Services created First Leisure, is already having a marked effect according to Mr Nigel Patternson, the company's operation director for the resorts division.

"Reaction to the new facilities, which include a leisure centre, are little short of phenomenal. We are already attracting day-trippers from the Valleys and we believe there is a lot of scope for much more expansion."

"We undertook detailed market research last year into the needs and requirements of the caravan owners and site users. The answer was better leisure facilities and more modern conveniences. These we have provided and will continue to provide through a five-year outline plan."

First Leisure expects to go on spending £1m a year on Trecco.

Penscynor shows the way

ON EASTER MONDAY the turnstiles at Penscynor Wildlife Park had to be closed because of the number of people inside. During the day it was later estimated that some 12,000 people had visited this aviary-cum-zoo-cum-entertainment complex set in a beautiful wooded valley just outside Neath. Sixteen years ago, the total attendance figure for the whole of 1971 was just 56,000.

The popularity of Penscynor is due to the variety of birds and animals in the park and to the drive and imagination of its founder, Mr Idris Hale. From small beginnings Mr Hale has built up the centre to the point where last year it attracted over 280,000 visitors. Along the way he also received one of the Wales Tourist Board's 1986 commendations for tourism in the Principality.

Mr Hale had travelled widely filming wildlife and wanted to bring some of the exotic birds he had come across to a permanent showcase in Wales.

Although all the management manuals advise against turning a hobby into a business Mr Hale succeeded where the pundits advised against even contemplating the idea.

The inspiration for what is now Penscynor was the Parrot Jungle in Miami, one of the big tourist attractions in Florida.

But Mr Hale began in a small way, opening the site, which now covers 11 acres, just for charity.

It was not until 1971, two years after the site had started to be developed, that the dream was turned into a commercial reality and the public were admitted.

Today, among the parrots and paraqueets, that are always a great draw, there is the largest known owl, a bird that, from the points of view of size, would appear to put the bald eagle to shame.

Since those humble beginnings the park has expanded: fish, mammals and entertainments. The wallaby lives next door to giant trout, which can be fished at certain times, and penguins, sealions, monkeys galore and chimpanzees inhabit the hillside.

The historic importance of Penscynor is not just what it offers, with new attractions continually being added, but that it was among the first projects to set out deliberately to bring tourism to the valleys of South Wales.

Individual tourist projects have developed considerably since Mr Hale started and now draw the visitor to places well off the beaten track even a couple of years ago.

A.M.

Gold rush again in Dolaucothi

BY TRADITION, the ladies of the Royal Family always wear wedding rings made from gold mined in Wales. Until 1939, when it closed as a commercial operation, part of that gold came from Dolaucothi gold mine at Pumpsaint, a village on the road between Llandovery and Lampeter in Dyfed.

Although mining ceased commercially there is still some activity in Dolaucothi as for the past nine years it has been leased to the department of mineral exploitation at University College, Cardiff. Student mining engineers and mining geologists have reopened some of the old workings and they plan to extend the mines further.

Dolaucothi and the surrounding 2,600-acre estate have been owned since 1943 by the National Trust and the surface area has been scheduled as an ancient monument.

It is not know who first mined gold in the area but it is know that the Romans did so. It is thought their soldiers—a small force was garrisoned in the area—may have seen the metal glistening on the hillside and, from their experiences in Spain, where they had earlier prospected for the metal, may have recognised the ore.

Today, the National Trust is, according to Mr Peter Mitchell, its South Wales director, going ahead with the preservation of a complete set of gold mining equipment brought from Halkyn in North Wales. Last year a visitor centre was opened and immediately attracted over 17,000 people.

Because of the university involvement, there is still some working at Dolaucothi, a factor which enormously increases visitor interest. Many might come just to see a site of great archaeological importance, but a lot of others are simply fascinated by the workings themselves and by experiencing those workings. "Underground experience" is probably the prime attraction, especially with younger visitors, Mr Mitchell says, with the working nature of the site a close second.

Dolaucothi is just one of a number of projects with which the National Trust is associated in South Wales. Mr Mitchell says that the Trust has to be particularly concerned with heritage and has to take initiatives. Its problem in South Wales, unlike the north of the country, is that it has almost no big houses on which to base a visitor trade. It owns some 40,000 acres but no focal points.

It is, therefore, attempting to conserve "smaller" buildings, especially farmhouses and artisans cottages dating from the 18th and 19th centuries in the industrial valleys and is talking to local authorities in Merthyr Tydfil, the Rhondda and Torfaen. It is also looking to see if it can play a role in the proposed development of Cardiff's docklands.

One of its major undertakings is the rescue and conservation of Dinefwr Park, near Llandeilo, not far from Dolaucothi. An appeal to raise £125,000 has been launched for what the Trust describes as "the lost treasure of Wales." Over £750,000 has already been spent on purchasing nearly 500 acres of the deer park and surrounding water meadows and while it will be a few years before the public gets full access work on restoring the park—which includes the only deer park in Wales and where white cattle roamed until relatively recently—is now going ahead at a fast pace.

A.M.

CONSTRUCTION

£45m Darlington shopping centre

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

SIR ROBERT McALPINE is in line to win office and shop building contracts worth a total of £75m within the next month.

The first major contract, worth £45m, is for building a 19,000 sq metre shopping centre in Darlington, County Durham, for Pengap Securities and Land Securities.

The second is a £30m management contract to fit-out LEP House at Sunlight Wharf in London's Docklands for the Swiss Bank Corporation International.

The Darlington town centre contract involves building three superstores, 55 smaller retail units, and a restaurant, around a central glazed court. It is still in the final stages of negotiation with the developers, but work is expected to start this summer.

The final stages of negotiations on the LEP House fitting-out contract are also still in progress.

But McAlpine is already on site building the shell and core of LEP House, a £15m contract being funded by the Swiss Bank Corporation, and so has a clear advantage in winning the next phase of preparing the building for occupation.

Sir Robert McAlpine has also established a new subsidiary, Genesis Design and Construct, to bid for small design and build contracts worth between £500,000 and £15m.

The company's first contracts include a £500,000 industrial refurbishment for the Ford Motor Company in the Midlands, and a new Business Technology Centre in Cardiff, funded by Cardiff University and South Glamorgan County Council, also for £500,000.

Development in Auckland

A third building contract in the centre of Auckland, New Zealand, has been awarded by the Chase Corporation to the TAYWOOD-WILKINS JOINT VENTURE, comprising Taylor Woodrow International and Wilkins and Davies, of New Zealand. The latest order, worth £5.2m is for the 20-storey Century Towers building, an office and retail development. Century Towers is adjacent to the multi-million pound Mid City office, shopping and leisure complex, where the Taywood-Wilkins Joint Venture has been working on two contracts since last summer. Century Towers will have a gross floor area of 17,000 sq metres with shops on the first and second floor levels. The building will have a mezzanine with a balcony and planting areas on the third floor level, with offices on the floors above. The structure will have a reinforced concrete frame on bored, concrete piles with precast concrete beams, floors and staircases. The external cladding will be glazed curtain walling with black anodized aluminium sections and grey reflective glass. The project is scheduled for completion in July 1988.

New Palace neighbours

Under a design and build contract for Chesterfield Properties valued at £29m, LOVELL FARROW CONSTRUCTION is to redevelop a 25 acre site in central London, adjacent to Buckingham Palace.

The site, which is bounded by Buckingham Gate, Buckingham Palace Road, Palace Street and Stafford Place in SW1 will, when complete in December 1988, provide about 160,000 ft of office accommodation, plus car parking facilities and residential apartments.

Redevelopment of the site involves a mix of refurbishment and new build with three buildings of differing styles to be retained

The largest section of building to be refurbished is in Buckingham Gate, facing the Royal Mews and built in the late 19th century.

Large areas of ceilings in this building are listed for the quality and interest of the plasterwork and these will be retained as will the many examples of fine joinery the building houses.

On Stafford Place, the building is in the Westminster conservation area. Seven storeys high, with a lower ground floor, the facade will be retained to one room depth and a structural steel frame inserted.

On Palace Street, new nine-storey offices with two basement levels are to be constructed. At one end, a corner facade is to be retained and the new structure will have a continuous facade of matching Portland stone to complement other buildings in the area.

The central courtyard will be roofed in glass to form an atrium. Within the atrium, two observation lifts will serve the office levels An underground car park will be formed beneath the deck of the atrium, with entrance from Palace Street via a ramp.

The seven-storey residential section is to be independent of the main scheme. While sharing the structure of the building on Stafford Place, the 14 apartments will have their own entrance and lift service.

*

SHEPHERD CONSTRUCTION has secured a £1.8m design and build contract from Langbaurgh Borough Council for the regeneration of Phase 1 of The Closes Estate, Redcar. The project will provide 54 refurbished and 24 new infill dwellings, comprising six distinct house types grouped around four cul-de-sacs. Two, three and four-bedroom houses are included in the scheme. The project is scheduled for completion in autumn 1989.

18,000,000 Shares

SHEARSON LEHMAN BROTHERS
An American Express company

Shearson Lehman Brothers Holdings Inc.

Common Stock

This portion of the underwriting was offered in the United States by the undersigned.

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WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MAY 15 1987					THURSDAY MAY 14 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	138.93	+0.2	122.71	129.06	2.75	138.58	122.43	129.32	138.93	99.92	90.46
Austria (16)	90.41	+0.8	79.86	83.57	2.24	89.69	79.24	83.23	101.62	89.69	89.08
Belgium (47)	123.62	+1.0	109.19	112.79	4.19	122.33	108.08	112.38	123.62	96.19	81.48
Canada (131)	130.06	−0.8	114.88	126.20	2.37	131.09	115.82	127.06	136.17	100.00	99.17
Denmark (39)	118.39	+0.3	104.57	107.88	2.46	117.99	104.24	107.88	124.10	98.18	97.74
France (122)	115.38	−3.5	101.91	107.64	2.57	119.51	105.58	111.78	121.82	98.39	94.20
West Germany (90)	93.07	−1.0	82.20	86.36	2.16	94.02	83.06	87.35	100.33	84.00	82.94
Hong Kong (45)	108.98	+0.5	96.26	109.15	3.02	108.42	95.79	108.63	114.71	96.89	71.28
Ireland (14)	131.80	+0.1	116.42	123.64	3.47	131.65	116.31	123.92	131.80	99.50	87.59
Italy (76)	103.75	−0.8	91.64	99.72	1.65	104.61	92.42	101.02	112.11	94.76	102.22
Japan (458)	159.91	+0.2	141.25	141.31	0.47	159.53	140.94	140.67	161.28	100.00	73.90
Malaysia (36)	163.06	+1.0	144.03	155.04	2.44	161.37	142.57	153.46	163.06	98.24	68.42
Mexico (14)	170.46	+2.4	150.56	228.49	0.96	166.45	147.06	222.58	197.27	99.72	50.30
Netherland (38)	119.06	−0.3	105.16	109.01	4.05	119.38	105.47	109.71	119.38	99.65	83.21
New Zealand (27)	93.09	−0.2	82.22	85.52	3.16	93.27	82.40	85.76	100.59	83.93	63.87
Norway (24)	137.82	+3.2	121.74	123.89	2.02	133.54	117.98	120.53	139.79	100.00	90.80
Singapore (27)	136.09	+1.1	120.20	132.90	1.78	134.62	118.93	131.57	136.09	99.29	60.03
South Africa (61)	176.33	+1.4	155.75	124.35	3.20	173.94	153.67	122.66	186.74	100.00	92.60
Spain (43)	112.10	+0.5	99.01	105.73	3.84	111.51	98.52	105.73	121.31	100.00	90.29
Sweden (33)	117.34	−0.4	103.64	108.17	2.13	117.84	104.11	108.99	124.68	90.85	90.22
Switzerland (51)	99.46	−0.5	87.85	90.08	1.90	100.00	88.35	91.07	104.06	93.26	82.97
United Kingdom (339)	146.71	+0.5	129.58	129.58	3.21	145.98	128.96	128.96	146.71	99.65	96.05
USA (596)	117.63	−2.2	103.90	117.63	3.07	120.32	106.30	120.32	124.06	100.00	97.73
Europe (932)	121.22	−0.3	107.07	110.15	2.86	121.61	107.44	110.71	121.61	99.78	91.42
Pacific Basin (687)	157.22	+0.2	138.87	139.66	0.61	156.83	138.56	139.06	158.30	100.00	74.30
Euro—Pacific (1619)	142.86	+0.1	126.19	127.90	1.37	142.78	126.15	127.76	143.22	100.00	81.05
North America (727)	118.29	−2.2	104.48	118.11	3.03	120.89	106.80	120.70	124.60	100.00	97.81
World Ex. US (1825)	142.78	+0.0	126.12	130.22	1.43	142.72	126.09	130.20	143.09	100.00	81.78
World Ex. UK (2082)	131.60	−0.9	116.24	123.74	1.86	132.79	117.31	124.79	133.33	100.00	87.27
World Ex. So. Af. (2360)	132.67	−0.8	117.19	124.24	1.98	133.70	118.12	125.16	133.85	100.00	87.98
World Ex. Japan (1963)	120.14	−1.4	106.12	115.72	2.96	121.81	107.62	117.41	121.81	100.00	94.77
The World Index (2421)	132.95	−0.8	117.43	124.27	1.99	133.96	118.35	125.17	134.11	100.00	88.01

Base values: Dec 31, 1986 = 100

Latest prices unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Stock
GOLD C	$390	122	77	—	—	—	—	$471
GOLD C	$400	43	65	11	75	20	83	"
GOLD C	$420	770	45.70	38	58	18	68	"
GOLD C	$440	766	25	97	45	18	52	"
GOLD C	$460	1186	6.40	135	31.50	52	41.50	"
GOLD C	$480	2087	0.20	247	22.50	144	34.50	"
[illegible]								

TOTAL VOLUME IN CONTRACTS: 65,291

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	● Morgan Grenfell	9
Adam & Company	9	Citibank NA	9	Mot Credit Corp. Ltd.	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Nat Bk. of Kuwait	9
Allied Dunbar & Co	9	Clydesdale Bank	9	NatWestminster	9
Allied Irish Bank	9	Comm. Bk. N. East	9	Northern Bank Ltd	9
American Exp. Bk	9	Consolidated Cred	9	† Norwich Gen. Trust	9
Amro Bank	9	Co-operative Bank	*9	PK Finans. Intl (UK)	10
Henry Ansbacher	9	Cyprus Popular Bk	9	Provincial Trust Ltd	11
ANZ Banking Group	9	Duncan Lawrie	9	R. Raphael & Sons	9
Associates Cap Corp	9	E. T. Trust	11	Roxburghe G'rantee	10½
Authority & Co Ltd	9	Equat'r'l Tst C'p plc	9½	Royal Bk of Scotland	9
Banco de Bilbao	9	Exeter Trust Ltd	9½	Royal Trust Bank	9
Bank Hapoalim	9	Financial & Gen. Sec	9	Smith & Williamson Secs	9
Bank Leumi (UK)	9	First Nat. Fin. Corp	10½	Standard Chartered	9
Bank Credit & Comm	9	First Nat. Sec. Ltd	10½	Trustee Savings Bnk	9
Bank of Cyprus	9	● Robert Fleming & Co	9	UDT Mortgage Exp	¶11.1
Bank of Ireland	9	Robert Fraser & Ptrs	10	United Bk of Kuwait	9
Bank of India	9	Girobank	9	United Mizrahi Bank	9
Bank of Scotland	9	Grindlays Bank	‡9	Unity Trust PLC	9
Banque Belge Ltd	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Barclays Bank	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Benchmark Tst Ltd	9	● Hambro Bank	9	Yorkshire Bank	9
Beneficial Trust Ltd	10½	Heritable & Gen. Tst	9		
Berliner Bank AG	9	● Hill Samuel	§9		
Brit Bk of Mid East	9	C. Hoare & Co	9		
● Brown Shipley	9	Hongkong & Shangh	9		
Business Mtge Tst	9½	Lloyds Bank	9		
CL Bank Nederland	9	Mase Westpac Ltd	9		
Canada Permanent	9	Meghraj & Sons Ltd	9		
Cayzer Ltd	9	Midland Bank	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§180	F.P.	15/5	210	189	Airtours 10p	210	+3	R5.4	2.5	3.5	15.3
§115	F.P.	20/5	165	128	Beltwinch 10p	165	+11	R3.2	3.7	2.6	13.8
§77	F.P.	30/6	105	96	‡Bonded Laminates 10p	101	+4	L2.4	2.4	3.2	17.7
§115	F.P.	8/5	164	133	Brooks Service Group	167	+3	L3.8	2.2	3.0	18.3
§80	F.P.	8/5	224	150	‡Burford Group	224	......	u1.2	3.2	0.73	57.7
‖	F.P.	—	440	400	Calor Group 50p	440	......	t12.0	2.6	3.7	14.0
130	F.P.	8/5	135	129	Cambridge Instrn. 5p	131	......	R0.7	8.8	0.7	14.9
§55	F.P.	12/6	98	68	‡Cambridge Isotope	84	......	R20.9	—	0.66	—
§200	F.P.	11/5	228	211	‡Castle Comms. 5p	228	......	R7.0	2.2	4.2	15.5
—	F.P.	—	15	10	ChildHealthRes. Wrrts	12½	......	—	—	—	—
115	F.P.	8/5	140	114	Church (Charles) 5p	140	+12	R2.75	3.10	2.6	16.6
§125	F.P.	—	185	145	‡Colorgraphic 10p	185	......	L3.0	2.8	2.2	21.5
‖	F.P.	—	310	291	Contibel 50p	293	−2	t8.0	1.6	3.7	22.1
§130	F.P.	22/5	153	145	Cooper (Alan) 10p	145	......	t4.0	2.5	3.8	14.6
§125	F.P.	29/5	153	143	Cundell Group 10p	152	......	W3.19	3.1	2.9	15.6
§135	F.P.	29/5	175	138	Doeflex 10p	175	+3	L3.45	2.50	2.7	20.2
‖	F.P.	—	112	81	ERA Group 5p	112	......	w—	—	—	56.0
§155	F.P.	15/5	195	170	‡Epwin Group 10p	195	......	L4.0	2.6	2.7	19.1
§120	F.P.	29/5	181	160	‡Filofax 5p	180	......	u2.7	2.8	2.0	24.1
§112	F.P.	1/5	140	115	‡HoneysuckleGr'p 2p	140	+5	R4.1	2.5	4.0	13.6
§120	F.P.	24/4	240	185	Mallett 5p	240	......	u3.0	3.1	1.7	25.8
§120	F.P.	29/5	127	120	‡March Group 5p	120	......	L4.2	2.4	4.7	11.9
225	F.P.	24/4	352	225	Mercury Asset Mgmt. 5p	352	......	R5.0	4.0	1.9	17.6
§106	F.P.	—	120	113	‡Orchid Technology‖	117	−1	RQ2.57c	5.2	1.4	13.6
§180	F.P.	1/5	211	180	Perpetual 10p	211	+4	u2.5	4.5	1.6	18.2
§55	F.P.	3/6	88	64	‡RKF Group 10p	87	......	u2.19	2.4	3.4	15.0
§140	F.P.	1/5	181	163	‡Reliance Sec Group 5p	170	......	b4.5	2.5	3.6	15.2
§135	F.P.	—	230	163	‡Select Appts. 1p	227	......	L2.5	2.8	1.5	32.5
125	F.P.	—	260	250	‡Sock Shop Intl. 5p	253	−4	R1.35	3.8	7.3	48.9

FIXED INTEREST STOCKS

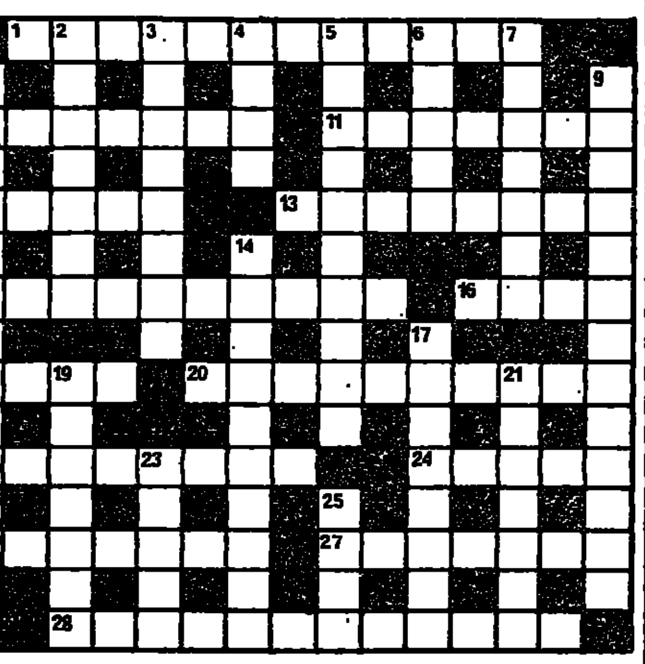
Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
§98.919	F.P.	29/5	103	95	Asda Prop. 10⅞% 1st Mort. Deb. 2011	103	+1
§100	F.P.	—	111	111	Bartam Grp. Cnv. Red. Prf. 10p	111	......
‖	£30	3/6	52	38	Dixons Grp Non-Int-brng. Cv. Un. Ln (£1)	48½	−2
103.09	£10	—	13½	13	East Anglian Water 7% Red Prf 1996/98	13½	+½
—	F.P.	29/5	111¼	109	Ests. & Gen Inv. new 11¼% 1st Mt. Deb 2018	111¼	......
—	F.P.	—	100p	96¾p	Friendly Hotels 4¾% Cnv Cum Red Prf £1	100p	......
—	£25	28/8	26½	25	Gt. Portland Ests. 9½% 1st Mt. Db 2016	26½	......
§100.156	£30	13/8	35¼	30⅛	Land Securities New 10% 1st Mt Db '25	34	......
§99	£10	—	14½	14	Mid-Sussex Water 10% Red Deb 2013/17	14½	+½
—	F.P.	—	102	98	Nationwide 9⅛pc 3.5.88	100	......
—	£25	—	25½	24¾	North Housing Assoc. 8¾% Gtd. In. 2037	25⅛	......
§95.221	£25	—	26	25¼	Peachey Property 9½% 1st Mt. Deb. 2015	26	+½
§100	F.P.	—	111	109p	Peel Hldgs. 5¼pc Cnv. N/V Prf. £1	111p	+1
—	£40	—	39⅞	39½	Peel Hldgs. 9⅞pc 1st Mt. Deb. 2011	39⅞	......
‖	Nil	31/7	45pm	35pm	Priest Marians 6½pc. Cnv. Uns. Ln 2000/03	45pm	+3
§98.221	£25	9/10	26¼	25⅛	Scot. Eastern Inv. Tst. 9¼% Deb 2020	25½	+⅛
‖	F.P.	30/6	101½	97¼	Second Mkt. Inv. 2½% Cnv Uns Ln '94	97¼	......
§98.819	£20	11/9	24⅝	18⅞	TR City of Lon. Tst. 10¼% Deb 2020	23¼	−1¼
8.25	Nil	24/6	180pm	75pm	Tops Est. 'New' 7½% Cnv. Uns. Ln. 2014	170pm	......
§99.016	£25	29/5	29¼	25⅛	Town Centre Secs. 10½% 1st Mort. Deb. 2021	28⅞	......
—	£30	9/10	34	30	Tribune Inv. Tst. 9⅛% Deb 2012	34	......
§98.09	£25	1/9	27½	25⅞	Vaux 9⅞% Deb. 2015	27½	+¼

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
43	Nil	—	15pm	11pm	Blackwood Hodge	13pm	−1
130	Nil	3/7	174pm	159pm	Brent Walker 10p	174pm	+1
154	Nil	—	18pm	11pm	Fisher (A.) 5p	18pm	......
17	Nil	23/6	13pm	10pm	Gold & Base Metal 12½p	12pm	−1
8	Nil	29/5	58pm	45pm	Inv. in Success Wrrts.	58pm	+2
105	Nil	—	42pm	23pm	Tyzack (W.A.) 10p	40pm	+1

FT CROSSWORD PUZZLE No 6,329

QUARK



ACROSS

1 Very secure unless without foundation (4, 2, 6)
10 Figure doing tango after the captain? (7)
11 Beat pitch for a trumpeter's sound (7)
12 A fish—catch thrown back by child (5)
13 Study leg-work (8)
15 Counting 143 as 144? (5, 5)
16 Some said Oliver was an object of admiration (4)
18 Mischevious spirit seen in sport (4)
20 Misguided spider in the field? (3-7)
22 Time acid rain endlessly falls at sea (8)
24 Artist cuts out last four for the passage (5)
26 Ball, bein' concerned to get a music-maker (7)
27 You feel it when short of cash used in game (7)
28 Sort of party raising temperature in building (5-7)

DOWN

2 The worker with cut vegetable is a character (7)
3 After a crack this provides a beating (3, 5)
4 It's in kitchen in part (4)
5 The roof should be free (2, 3, 5)
6 Nigel's upset missing start of loyal toast (5)
7 Frightened to surround king after battle? (7)
8 Music-makers? They are certainly upright (7, 6)
9 Pads for graduate notes? (8, 5)
14 Graduate teacher's tie loose (10)
17 I'd miscall almost randomly to revoke (8)
19 Auto-cleaner (3, 4)
21 There's another side to 10 (7)
23 Paris's farewell (5)
25 Aide could be understanding (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Contd. on next Page

FT UNIT TRUST INFORMATION SERVICE

M & G Group—Contd.

Managed (Acc)	429.6	451.2	-2.3	—
PPP Fund (Cap)	323.3	336.4	+1.3	—
PPP Fund (Acc)	438.1	461.1	+1.2	—
Pacific (Cap)	260.6	272.7	-0.1	—
Pacific (Acc)	343.7	362.4	-0.2	—
Property (Cap)	132.2	138.9	—	—
Property (Acc)	164.5	173.8	—	—
Recovery (Cap)	209.2	219.7	+1.1	—
Recovery (Acc)	292.0	306.7	+1.7	—
UK Income (Cap)	117.3	122.9	+0.4	—
UK Income (Acc)	164.6	173.0	+0.6	—
Personal Pension (Acc)	—	1752.4		

MGM Assurance
MGM House, Heene Rd, Worthing 0903 204631

UK Equity	230.6	242.8	+1.8	—
Do Accum	258.4	272.2	+2.0	—
Special Situations	208.1	219.1	+1.6	—
Do Accum	233.0	245.3	+1.8	—
North American	176.3	185.6	-0.7	—
Do Accum	197.3	207.7	-0.8	—
Pacific Basin	323.9	341.0	+1.5	—
Do Accum	362.6	381.7	+1.6	—
Fixed Interest	218.2	229.7	+0.3	—
Do Accum	244.5	257.4	+0.4	—
Property	117.5	123.7		—
Do Accum	131.7	138.7	+0.1	—
Deposit	112.4	118.4		—
Do Accum	125.9	132.6		—
Managed	213.7	225.0	+0.9	—
Do Accum	240.4	253.1	+1.0	—
Bonus Gwth Fd Acc	95.1	100.1		—

Pension Funds

Pensions Equity	251.5	264.8	+2.6	—
Do Accum	304.6	320.7	+3.2	—
Pens. Spec. Sits.	232.0	244.3	+2.5	—
Do Accum	281.1	295.9	+2.9	—
Pens. North American	185.7	195.5	-1.0	—
Do Accum	225.1	237.0	-1.2	—
Pens. Pacific Basin	357.6	376.5	+2.3	—
Do Accum	433.4	456.3	+2.8	—
Pens. Fixed Int.	229.6	241.7	+0.3	—
Do Accum	278.0	292.7	+0.4	—
Pens. Property	118.7	125.0		—
Do Accum	143.8	151.4	+0.1	—
Pens. Deposit	119.9	126.3		—
Do Accum	145.2	152.9		—
Pens. Managed	235.1	247.5	+1.3	—
Do Accum	284.1	299.1	+1.4	—

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	437.4	460.4		—
Property	276.7	291.2		—
Equity	530.0	557.9		—
Gilt Edged	372.9	392.5		—
Deposit	202.6	213.3		—
Investment	226.8	238.1		—
International	427.8	450.3		—

Pension Fund Prices

Managed Int.		315.9		—
Do. Accum		384.2		—
Property Int		240.4		—
Do. Accum		292.2		—

National Mutual of Australasia
Serpentine Rd, Poole, Dorset 0202 680666

Fixed Interest	136.34	143.51	+0.45	
Guaranteed Deposit	118.38	124.60	+0.18	—
Managed	153.44	161.51	+2.58	—
Property	138.75	146.05	+1.73	—
UK Equities	189.56	199.53	+4.59	0.41
Pens Fixed Interest	128.01	134.74	+0.41	—
Pens Gtd Deposit	119.21	125.48	+0.25	—
Pens International	202.07	212.70	+3.08	—
Pens Managed	165.27	173.96	+3.56	—
Pens Property	153.52	161.60	+2.69	—
Pens UK Equities	169.70	178.63	+5.66	—
International	185.36	195.11	+2.79	—
Nth American Fund	151.06	159.29	+1.53	—
Far East Pacific Fd	179.66	189.11	+4.99	—
Japan Fund	259.82	273.49	+6.02	—
European Fund	195.93	206.24	-5.14	—

National Provident Institution
48 Gracechurch St. London EC3P 3HH 01-623 4200

Managed	301.2	317.1	+0.7	—
UK Equity	400.0	421.1	+3.3	—
Overseas Eq.	287.2	302.4	-0.8	—
American	234.3	246.7	-0.6	—
Far East	342.7	360.9	+1.6	—
Property	137.7	145.0	+0.3	—
Fixed Int	213.8	225.1	-0.7	—
Indexed Gilt	118.8	125.1	-1.0	—
Deposit	132.9	139.9	+0.1	—

Pension Fund Prices

Man. Initial	315.2	331.8	+1.2	—
Man. Acc.	379.6	399.6	+1.5	—
UK Eq. Initial	402.3	423.5	+3.9	—
UK Eq.	473.0	497.9	+4.6	—
Overseas Eq. Initial	356.2	375.0	+0.4	—
Overseas Eq.	444.5	467.9	-0.6	—
American Initial	252.7	266.1	-1.1	—
American	301.7	317.6	-1.3	—
Far East Initial	478.6	503.8	+1.1	—
Far East	569.5	599.5	+1.4	—
Prop. Initial	131.2	138.2	+0.4	—
Prop.	156.3	164.6	+0.6	—
Fixed Int. Initial	192.9	203.1	-0.3	—
Fixed Int.	229.5	241.6	-0.3	—
Indexed Gilt Initial	108.2	113.9	-0.9	—
Indexed Gilt	127.3	134.1	-1.0	—
Deposit Initial	133.4	140.5		—
Deposit	160.2	168.7		—

NPI Pensions Management Ltd

Managed Fund	902.2	918.3		—

Prices May 1. Next dealing June 1.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds

Managed Fund	55.5	58.5	+0.2	—
Scot. Market Mngd Fund	56.8	59.8	+0.4	—
Equity Fund	62.2	65.5	+0.7	—
International Fund	51.7	57.6	+0.4	—
European Fund	54.7	57.6	+0.4	—
North American Fund	46.7	49.2	-0.2	—
Pacific Fund	63.8	67.2	-0.1	—
Property Fund	50.2	52.9		—

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2FZ 0256 470707

Unit Fund	892.4
Equity Fund	212.3
International Fd	137.5
Fixed Interest Fd	148.0
Property Fund	146.3
Index-Linked Fund	122.1
Deposit Fund	120.5
Pens. Mixed (Ord) Fd	199.2

Provident Mutual Life Assc. Assn.
Willian Rd, Hitchin, Herts SG4 0LP

Managed Ord	267.0
Managed Init.	229.7
Equity Ord.	391.5
Equity Init.	336.9
Index Linked Gilt Ord.	118.3
Index Linked Gilt Init	106.3
Overseas Equity Ord	267.8
Overseas Equity Init	230.5
Property Ord	133.7
Property Init.	115.1
Fixed Interest Ord	161.4
Fixed Interest Init	138.9
Deposit Ord	126.5
Deposit Init	108.8

Pension Funds

Managed Ord	318.4
Managed Init.	274.0
Equity Ord.	488.8
Equity Init.	420.6
Pen Ind Lkd Gilt Ord	135.5
Pen Ind Lkd Gilt Init	112.6
Overseas Equity Ord.	307.9
Overseas Equity Init.	264.9
Property Ord	148.0
Property Init.	127.4
Fixed Interest Ord	175.4
Fixed Interest Init	150.9
Deposit Ord.	151.5
Deposit Init	130.4

Provincial Life Assurance Co Ltd
Stramongate, Kendall, Cumbria

Managed Fd	548.5
Cash Fd	206.1
Property Fund	213.2
Equity Fund	638.5
Fxd. Int. Fund	271.3
International	312.4
High Income	432.9
Far East	358.9
North American	238.0
Special Sits.	583.8
Technology	261.6
Extra Inc Fd.	248.1
Convertible & Gilt Fd	142.5
American Income	107.4
Gilt Fund 20	292.3
European Fund	101.4
Managed Pens. Acc	494.4
Deposit Pens. Acc.	200.8
Property Pens. Acc.	200.1
Fix. Int. Pens. Acc.	289.3

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)					
12Dec 12Jne	Treas. 10pc 1987	100[illegible]	18.12	9.99	8.88
14Jan 14Jly	Treas 3pc 1987	99[illegible]	8.12	3.02	7.46
3May 3Nov	Treas. 12pc 1987	101[illegible]	29.9	11.81	8.21
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	99[illegible]	22.12	7.77	8.20
10Nov 10May	Exch 10½pc '88	101[illegible]	6.10	10.30	8.33
14Dec 14Jan	Treas 9¾pc Cv '88	101[illegible]	18.12	9.62	8.44
1Jan 1Jul	Transport 3pc '78-88	96[illegible]	25.11	3.10	5.98
25 Apr 25 Oct	Treas. 9½pc '88	101[illegible]	18.9	9.37	8.43
22 Aug 22 Feb	Treas 11½pc 1989	104[illegible]	16.1	10.97	8.48
18 Oct 18 Apr	Treas 9½pc Cnv 1989	101[illegible]	11.9	9.33	8.45
15Nov 15May	Treas 3pc 1989	94[illegible]	9.10	3.17	5.93
14Dec 14Jun	Treas 10½pc 1989	103[illegible]	18.12	10.12	8.49
1Feb 1Aug	Exch.10pc 1989	102[illegible]	29.12	9.72	8.54
29 Mar 29 Sep	Exch 11pc 1989	105[illegible]	26.8	10.46	8.51
15 Apr 15 Oct	Treas 5pc 1986-89	95[illegible]	8.9	5.22	6.95
15 May 15 Nov	Exch 10¼pcCv '89	106[illegible]	9.10	9.65	7.43
15 Jul 15 Jan	Treas 13pc 1990‡‡	110[illegible]	9.12	11.76	8.49
12 Aug 12 Feb	Exch 11pc 1990‡‡	105[illegible]	6.1	10.40	8.58
22 Sep 22 Mar	Exch. 12½pc 1990	109[illegible]	18.8	11.39	8.55
8 Nov 8 May	Treas. 3pc 1990	91[illegible]	2.10	3.27	6.09
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	99[illegible]	18.12	8.26	8.32
25 Apr 25 Oct	Treas. 10pcCv 1990	104[illegible]	18.9	9.59	8.53
22 May 22 Nov	Exch 2½pc 1990	89[illegible]	16.10	2.79	5.86
10 July 10 Jan	Treas 11¾pc 1991	109[illegible]	4.12	10.72	8.62
5Oct 5Apr	Funding 5¾pc '87-91‡‡	95[illegible]	1.9	6.03	7.12
13 Nov 13 May	Treas. 3pc 1991	89[illegible]	—	3.37	6.15
12Jan 12July	Treas 10pc Cv '91 ‡‡	108[illegible]	8.12	9.22	7.59
25Apr 25Oct	Exch. 11pc 1991	108[illegible]	18.9	10.11	8.56
22Jly 22Jan	Treas 12¾pc 1992‡‡	115[illegible]	16.12	11.04	8.65
21Aug 21Feb	Treas 10pc 1992	105[illegible]	15.1	9.51	8.64
13Oct 13Apr	Treas. 8pc 1992 ‡‡(50pd)	47[illegible]	—	8.15	8.47
7 Nov 7 May	Treas 10½pc Cv 1992‡‡	107[illegible]	1.10	9.79	8.67

Five to Fifteen Years

Over Fifteen Years

Undated

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INDUSTRIALS—Continued

INSURANCES

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—	Abelscot Group 10p	380xd	—	3.5	2.7	1.3	40.9
—	Aberdeen Am Pet 10p	32	—	—	—	—	—
—	Allied Ins. Brokers	123xd	—	L3.5	2.5	4.0	14.3
—	Ardmore Pet. 'A'	14	—	—	—	—	—
—	Catalyst Comms. 5p	66	—	—	—	—	—
—	Corton Beach 10p	96	—	0.4	ϕ	0.6	ϕ
—	Crown Eyeglass 5p	177	—	—	—	—	—
—	Evergreen Investment	208	—	—	—	—	—
—	Eglinton Oil Ir.5p	35	—	—	—	—	—
—	Do. Warrants	23	—	—	—	—	—
—	Publishing Hldgs.5p	42	—	—	—	—	24.3
—	Theme Holdings	47	27.4	1.0	ϕ	2.9	ϕ
—	Unit Group	115	—	R4.6	2.5	5.5	(8.2)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǁ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	78xd	......	Fin. 13% 97/02	£110½	−¼
Craig & Rose £1	£16¼	......	Arnotts	373xd	......
Finlay Pkg. 5p	82xd	+1	CPI Hldgs	60	+2
Holt (Jos) 25p	935xd	−2	Carrol Inds.	130	......
IoM Stm. £1	106	−1	Dublin Gas	18	......
			Hall (R. & H.)	100	......
IRISH			Heiton Hldgs.	29	+1
Fund 11¼% 1988	£100⅞	−⅛	Irish Ropes	165	+5
Nat. 9¾% 84/89	£98⅛	−½	Unidare	395	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

To the holders and beneficial owners of Northern Pacific Railway 4% prior lien bonds due January 1, 1997 (4% bonds), and their coupons and Northern Pacific Railway 3% general lien bonds due January 1, 2047 (3% bonds), and their coupons

UNITED STATES DISTRICT COURT FOR SOUTHERN DISTRICT OF NEW YORK

Alan C. Rievman, *et al.*, Plaintiffs,
against
Burlington Northern Railroad Company, *et al.*, Defendants
85 Civ. 3964 (RLC)

SUMMARY NOTICE OF PROPOSED SETTLEMENT AND OF SETTLEMENT HEARING

A $35,500,000 PROPOSED SETTLEMENT OF THIS CLASS ACTION HAS BEEN REACHED UNDER WHICH, IF APPROVED BY THE COURT, CLASS MEMBERS WHO HOLD 4% BONDS WILL BE PAID APPROXIMATELY $14.75 FOR EACH $100 FACE AMOUNT HELD, PLUS INTEREST, AND CLASS MEMBERS WHO HOLD 3% BONDS WILL BE PAID APPROXIMATELY $45.625 FOR EACH $100 FACE AMOUNT HELD, PLUS INTEREST, AS HEREIN PROVIDED, AND CERTAIN OF THE COLLATERAL SECURING REPAYMENT OF THE BONDS WILL BE RELEASED. THE PAYMENTS UNDER THE PROPOSED SETTLEMENT WILL BE IN ADDITION TO ALL PAYMENTS OF INTEREST AND PRINCIPAL PAYABLE TO THE HOLDERS OF THE BONDS. YOU MAY OBTAIN A COPY OF THE COMPLETE NOTICE OF SETTLEMENT BY WRITING TO STEPHEN LOWEY, ESQ., AT THE ADDRESS INDICATED BELOW.

LITIGATION

1. The above-entitled action was brought in the United States District Court for the Southern District of New York by plaintiffs on behalf of holders of two series of Northern Pacific Railway bonds, the 4% Prior Lien Bonds due January 1, 1997 ("4% Bonds"), and the 3% General Lien Bonds due January 1, 2047 ("3% Bonds") (collectively the "Bonds"), of which defendant Burlington Northern Railroad Company ("Burlington Northern") is now the obligor and defendants Bankers Trust Company ("Bankers Trust") and Citibank, N.A. ("Citibank") (collectively the "Trustees"), are the respective trustees. Plaintiffs challenged the legality of a plan announced by Burlington Northern on April 22, 1985, whereby the Trustees agreed to release from the liens of the mortgages securing the Bonds certain valuable non-railroad assets ("Resource Properties") that were pledged as a portion of the collateral securing the Bonds, by depositing with the Trustees sufficient United States Government securities to guarantee all payments of interest and principal on the Bonds as they came due (the "Deposit Plan"). The Deposit Plan was coupled with a tender offer whereby Burlington Northern proposed to purchase all outstanding Bonds at $53.50 per $100 face amount for the 4% Bonds and $39.00 per $100 face amount for the 3% Bonds (the "Tender Offer").

THE PROPOSED SETTLEMENT

1. The parties and their attorneys have reached an agreement that, subject to judicial approval, would settle all aspects of this controversy. It is anticipated that under the proposed settlement, holders of the 4% Bonds will receive approximately $14.75 per $100 Bond plus interest, and holders of the 3% Bonds will receive approximately $45.625 per $100 Bond plus interest.

2. The Court has certified a non-opt-out plaintiff class pursuant to Rules 23(b)(1)(A) and 23(b)(2) of the Federal Rules of Civil Procedure consisting of all holders of the Bonds and of coupons detached from the Bonds and all beneficial owners of such Bonds and coupons, and their successors in interest, but excluding Burlington Northern (the "Class").

3. Burlington Northern has deposited a Settlement Fund of $35,500,000 with Morgan Guaranty Trust Company of New York as Escrow Agent. If the settlement is approved, the Settlement Fund (including accrued interest) less amounts approved by the Court for plaintiffs' counsel fees and other litigation expenses, will be distributed to holders of Bonds and holders of coupons detached from the Bonds that have not matured on the date payment is first made ("Coupons"). Payments shall be made only to holders of record of registered Bonds and to bearers of bearer Bonds and Coupons, upon physical presentation of the Bonds and Coupons to the Escrow Agent. Beneficial owners of Bonds and Coupons shall have no right to receive payment directly from the Settlement Fund; rather any beneficial owners must look for payment to the record holders of registered Bonds and to the bearers of bearer Bonds and Coupons. Payments will be subject to all applicable legal requirements for tax withholding in effect at the time of payment.

4. If the settlement is effected, it is anticipated that the trading prices of the Bonds will decline substantially because they will no longer reflect the speculative premiums at which the Bonds currently trade. The cash payments to be received by the members of the Class under the settlement, at the time of its negotiation, were projected by plaintiffs' counsel and their expert to exceed any decline in the market value of the Bonds due to loss of the speculative premium. Because of the volatility of the bond market, due to changing interest rates among other things, no assurance can be given as to the market value of the Bonds at the time of distribution of the Settlement Fund.

5. On the date payment is first made to holders of Bonds and Coupons, the Resource Properties shall be released forever from the liens of the mortgages securing the Bonds. Burlington Northern shall thereafter be entitled to retain and use proceeds derived in any manner from the Resource Properties free and clear of any and all restrictions contained in the mortgages securing the Bonds. In all other respects, the terms and conditions of the Bonds and mortgages will remain in full force and effect, all assets, other than the Resource Properties, pledged to secure payments due on the Bonds will continue to secure the Bonds, and Burlington Northern will continue to be liable for the timely payment of interest and principal.

THE SETTLEMENT HEARING

1. A hearing will be held before the Court in Room 518 of the United States Court House, Foley Square, New York, New York 10005, on July 15, 1987, at 10.00 a.m. (the "Settlement Hearing") to determine whether (i) the Stipulation and Agreement of Settlement settling all claims asserted in this action is fair, reasonable and adequate and should be approved by the Court; (ii) an Order and Final Judgment should be entered dismissing this action as to all defendants with prejudice as against the named plaintiffs and all members of the plaintiff Class as certified by the Court; and (iii) if the Court approves the settlement and enters the Order and Final Judgment, an application by plaintiffs' attorneys for reasonable attorneys' fees and other litigation expenses in connection with this action should be approved. The Court has reserved the right to adjourn the Settlement Hearing without further notice of any kind.

2. If you consider the proposed settlement acceptable, you need not appear at the Settlement Hearing and your interests will be represented by the attorneys for plaintiffs. Any person or entity who is a member of the Class may appear at the Settlement Hearing and show cause, if such member has any, why the proposed settlement or the request for attorneys' fees and expenses should not be approved and this action not be dismissed with prejudice. No person or entity shall be heard at the Settlement Hearing unless a Notice of Intention to Appear and grounds for objection, in writing, together with any supporting papers which such Class member may choose to submit, are filed with the Court, at least fourteen days before the Hearing, showing due proof of service, by first class mail on the following:

Stephen Lowey, Esq.
LOWEY, DANNENBERG & KNAPP, P.C.
747 Third Avenue
New York, N.Y. 10017
Attorneys for Plaintiffs

Robert D. Joffe, Esq.
CRAVATH, SWAINE & MOORE
One Chase Manhattan Plaza
New York, N.Y. 10005
Attorneys for Defendant Burlington Northern

David Mark, Esq.
SHEARMAN & STERLING
53 Wall Street
New York, N.Y. 10005
Attorneys for Defendant Citibank

Jeffrey Barist, Esq.
WHITE & CASE
1155 Avenue of the Americas
New York, N.Y. 10036
Attorneys for Defendant Bankers Trust

3. Whether or not you participate in the Settlement Hearing, notice of the date payment is to be made ("Final Notice") will be given if the Court approves the settlement. At that time, notice will also be given of procedures for presentation of Bonds and Coupons for payment. Final Notice will be given to holders of registered Bonds by first class mail. Notice will also be published in the Wall Street Journal and the Financial Times of London. If you wish to receive the Final Notice and neither are a holder of a registered Bond nor have written to Mr Lowey to receive the complete Notice of Settlement, please send a letter indicating your name, address and number of Bonds or Coupons held to Stephen Lowey, Esq., at the above address. *DO NOT SEND ANY BONDS OR COUPONS* TO MR LOWEY, TO THE ESCROW AGENT OR TO THE TRUSTEES AT THIS TIME.

4. The Court has ordered that, pending its determination of whether the proposed settlement should be finally approved, plaintiffs and all members of the plaintiff Class, or any of them, either directly, representatively or in any capacity, are enjoined from commencing or prosecuting in this or any other Court any action asserting any claims in any way relating to or arising out of or in connection with any of the transactions, matters or occurrences or series of transactions, matters or occurrences covered by the complaint herein or the proposed settlement.

If the Court enters the Order and Final Judgment contemplated by the Stipulation and Agreement of Settlement at or after the Settlement Hearing, all members of the plaintiff class would be conclusively and forever bound.

May 5th, 1987.

BY ORDER OF THE COURT
Raymond F. Burghardt
Clerk of the Court
United States District Court
Southern District of New York

DIARY DATES

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Anchor Chemical, Hotel Piccadilly, Manchester, 11.30
Fortnum & Mason, Basil Street Hotel, Basil Street, SW, 10.30
Sherwood Computer Services, Butchers Hall, Bartholomew Close, EC, 12.00
TR Pacific Basin Trust, Mermaid House, 2 Puddle Dock, EC, 12.45

BOARD MEETINGS
Finals:
Aberfoyle
Asda Property
Associated British Foods
Grand Central Invs.
Personal Assets Trust
TR Technology Trust
Interims:
BOC
Craton Lodge and Knight
Crystalate

DIVIDEND & INTEREST PAYMENTS—
Appleyard 5.25p
BTR 4.75p
Benchmark 0.75p
Blenheim Exhibitions 1.05p
Christiania Bank OG Kreditkasse Senior Fltg Rate Nts 1995 $530.83
Davidson Pearce 1.8p
GMAC O'seas Fin 15pc Nts 17/5/89 7½pc
Hambro Countrywide 5p
Linread 2p
Lopex 2.4p
Metal Closures 5.2p
New Zealand Fltg Rate Nts 1997 £137.12
Shell Transport & Trading 29.5p
Shell Transport & Trading 29.5p (Br) 29.5p
Silkolene Lubricants 3p
Standard Bank Imp & Export Fin Sub Fltg Rate Nts 1996 £135.31
Stanley (A. G.) 1.75p
Treasury 10pc 2004 5pc

TOMORROW

COMPANY MEETINGS—
Associated Book Publishers, 11 New Fetter Lane, EC, 12.00
Bowthorpe, Gatwick Road, Crawley, West Sussex, 3.00
British Island Airways, Post House Hotel, Povey Cross Road, Horley, Surrey, 11.00
Christies Intnl, 8 King Street, St James's, SW, 12.00
Fisons, Glaziers Hall, 9 Montague Close, London Bridge, SE, 11.00
Home Counties Newspapers, Strand Palace Hotel, Strand, WC, 3.00
IMI, Midland Hotel, New Street, Birmingham, 12.00
Macfarlane (Clansman), 7 West George Street, Glasgow, 12.00
Moorgate Group, Great Eastern Hotel, Liverpool Street, EC, 11.00
Ocean Transport & Trading, India Buildings, Liverpool, 2.00
P-E Intnl, Charing Cross Hotel, Strand, WC, 12.00
Technology Project Services, 5-9 East Harding Street, EC, 12.00
United Newspapers, Stationers Hall, Ave Maria Lane, EC, 10.30

BOARD MEETINGS
Finals:
Allied Lyons
[illegible]

Metsec, Apollo Motel, 243 Hagley Road, Edgbaston, Birmingham, 11.00
NMW Computers, Crown Hotel, High Street, Nantwich, Cheshire, 12.00
North Midland Construction, Nene Close, County Estate, Huthwaite, Sutton-in-Ashfield, Nottinghamshire, 12.00
Slough Estates, Savoy Hotel, Strand, WC, 12.00
Stag Furniture, Albany Hotel, Nottingham, 12.00
Sun Alliance & London Insur, 1 Bartholomew Lane, EC, 12.30
Thurgar Bardex, Royal Hotel, Market Square, Kettering, Northamptonshire, 12.00
Unilever, Plaisterers Hall, 1 London Wall, EC, 11.00
Wood (Arthur), Bradwell Works, Longport, Stoke-on-Trent, 12.00

BOARD MEETINGS
Finals:
Allied Irish Bank
Bisichi Tin
Colorell
Hartwell
Heath (C. E.)
Parkland Textile
River and Mercantile Geared Capital and Income Trust
TR Property Investment Trust
Tunstall
Unitycorp Trust
Whitbread and Co
Interims:
Acatos and Hutcheson
Avon Rubber
Baggeridge Brick
Bass
Cramphorn
Int. Thomson Org.
Irish Distillers
PWS Holdings
RHP
Ranks Hovis McDougall
Unity Corp.

DIVIDEND & INTEREST PAYMENTS—
Allied Irish Banks Undated Fltg Rate Nts $320.52
Assoc Book Publishers 3.75p
Banco Nacional De Mexico Fltg Rate Cap Nts 1987 $32.05
Birmingham District Council 13½pc 1989 7¼pc
Caterpillar 12.5cts
Christies Intl 6p
Exchequer 12pc 1998 6pc
Kleinwort Benson Finance Gtd Fltg Rate Nts 1991 $84.98
Lloyds Trust Gilt Fund 28p
Macfarlane (Clansman) 1.647p
Malakoff Berhad 7.5sen
Merchants Trust 2.4p
Morgan (J. P.) Intl Fin Gtd Fltg Rate Nts 1997 $168.42
Norsk Hydro NKr 4.5
North Midland Construction 1p
Portugal (Rep of) 9pc Ln 2016 4½pc
Premier Group Fltg Rate Nts 1989 $339.17
Security Pacific 45cts
Sintrom 1.45p
Treasury 2½pc I-L 2009 1.5601pc
Wood (Arthur) 2.5p

THURSDAY MAY 21

COMPANY MEETINGS—
[illegible]

BOARD MEETINGS
Finals:
British-Borneo Petroleum Syndicate
Castings
Deritend Stamping
Granyte Surface Coatings
Hambros Inv. Trust
High Gosforth Park
Toshiba Corp.
Treifus
Wiggin Investment

DIVIDEND & INTEREST PAYMENTS—
Antler 2p
Beauford 2.5p
Bridon 4p
Clayton, Son 7p
Druck 2p
Isle of Man Enterprises 4.5p
Jacobs (John I.) 2.5p
Jacobs (S.) 3p
Lambert Howarth 5p
McLaughlin & Harvey 5p
Pressac 0.85p
Royal Bank of Canada Fltg Rate Db 2005 $5.72916
Security Pacific Fltg Rate Sub Cap Nts 1997 $161.35
Stag Furniture 3.75p
Steel Burrill Jones 6.6p
Systems Designers 0.35p
TSW 0.83p
Thorpe (F. W.) 2p
Treasury 12½pc 2003-05 6¼pc
Wells Fargo Fltg Rate Sub Nts 2000 $58.33

FRIDAY MAY 22

COMPANY MEETINGS—
ATA Selection, Great Eastern Hotel, Liverpool Street, EC, 11.30
Addison Consultancy, 39-41, Parker Street, WC, 11.00
Atlantic Computers, Insurance Hall, 20 Aldermanbury, EC, 11.00
Babcock Intnl, Over-Seas House, Park Place, St James's Street, SW, 12.30
Bramall (C. D.), Norfolk Gardens Hotel, Hall Ings, Bradford, 12.00
Breedon & Cloud Hill Lime Works, Breedon-on-the-Hill, Leicester, 11.00
Britannia Arrow, Plaisterers Hall, 1 London Wall, EC, 12.00
British Syphon Indus, Mottram Hall Hotel, Mottram St Andrew, Cheshire, 12.00
Cannon Street Invs, Royal Westminster Hotel, Buckingham Palace Road, SW, 12.00
Conrad, White House, Albany Street, NW, 12.00
Cowells, 8 Butter Market, Ipswich, Suffolk, 3.00
Gaskell Broadloom, Blackburn Moat House, Preston New Road, Blackburn, Lancashire, 10.30
Helical Bar, Institute of Chartered Accountants, Moorgate Place, EC, 2.30
International Business Comms, Cafe Royal, 68 Regent Street, W, 12.00
London United Invs, Merchant Taylors Hall, 30 Threadneedle Street, EC, 12.00
Micro Business Systems, 9 Montague Close, SE, 11.00
Molynx, Cheney House, West Drayton Road, Hillingdon, Uxbridge, Middlesex, 12.00
New Darien Oil Trust, North British Hotel, Princes Street, Edinburgh, 12.00
Radamec, City of London Club, 19 Old Broad Street, EC, 12.00
Relyon, Wellington, Somerset, 12.00
Tibbett & Britten, Connaught Rooms, Great Queen Street, WC, 10.00

BOARD MEETINGS
Finals:
Channel Tunnel Invs.
Cullens Holdings
Goldberg (A.)
Value and Income Trust
Interims:
[illegible]

WEDNESDAY MAY 20

[illegible]
CPU Computers, Mayford Manor Hotel, Guildford Road, Mayford, Surrey, 11.30
Caparo Inds, 8 Baker Street, W, 12.00
Connells Estate Agents, Browns Hotel, Dover Street, W, 10.30
Ealing Electro-Optics, 120 Cheapside, EC, 2.30
Equity & Law Life Assce, 20 Lincolns Inn Fields, WC, 12.15
Metalrex, Plough & Harrow Hotel, Hagley Road, Edgbaston, Birmingham, 11.45

[illegible]
Bath, 12.00
Sharpe & Fisher, Evesham Road, Cheltenham, 12.00
Spear (J. W.), Richard House, Enstone Road, Enfield, Middlesex, 12.00
Sutar, Howard Hotel, Temple Place, WC, 12.00
Wayne Kerr, Royal Norfolk Hotel, Temple Place, WC, 12.00
Weir Group, Merchants Hall, 30 George Street, Glasgow, 12.00

[illegible]
Britannia Arrow 3.2p
New Darien Oil Trust 0.7p
Sunderland (Borough of) 11¼pc Red 2008 5⅝pc
Treasury 13¼pc Ln 1993 6⅝pc
Trinidad & Tobago (Republic of) 12¼ Ln 2009 6⅛pc

SUNDAY MAY 24

DIVIDEND & INTEREST PAYMENTS—
Druck Hldgs 2p
London & Prov Shop Centres 2.5p

Trade fairs and exhibitions: UK

Current
Consumer Electrics Show (01-486 1951) (until May 20) — Earls Court

Current
International Process-Engineering Exhibition (01-856 7777) (Until May 21) — Earls Court

May 18-21
International Environment and Safety conference and exhibition (0727 51903) — NEC, Birmingham

May 19-21
London Wine Trade Fair (01-637 2400) — Kensington Exhibition Centre

May 19-22
Chelsea Flower Show (01-834 4333) — Royal Hospital, Chelsea

June 2-4
Heating, Ventilating and Air Conditioning Exhibition—LONDON HEVAC (01-705 6707) — Earls Court

June 5-14
Fine Art & Antiques Fair (01-385 1200) — Olympia

June 10-11
National Joint Utilities Group Exhibition and Conference (0923 778311) — NEC, Birmingham

June 10-20
Grosvenor House Antiques Fair (0799-26699) — Grosvenor House

June 16
Building Maintenance Refurbishment Expo (0474-874069) — Birmingham

June 22-24
Property Management & Architects Exhibitions (01-749 9535) — Kensington Exhibition Centre

Overseas

Current
Business Efficiency Exhibition—BEE/OFEX (02403 29406) (until May 20 — Hong Kong

May 20-28
International Technical Fair (spring) (021-705 6707) — Budapest

May 22-26
International Accessory, Machinery and Materials Fair for Furniture Production—INTERZUM (01-930 7251) — Cologne

May 23-June 7
International State Fair (01-734 9822) — Nicosia

May 27-June 2
International Trade Fair for Machinery & Equipment for Wood & Forest Industries—LIGNA (01-651 2191) — Hanover

June 9-15
International Building Construction Exhibition — CONSTRUCTION CHINA (01-486 1951) — Beijing

June 22-26
International Foundry Exhibition (021-455 9600) — Brno

Business and Management Conferences

May 18-19
Financial Times: European banking conference (01-621 1355) — Milan

May 18-20
IMECHE: European congress on fluid machinery for the oil, petrochemical and related industries (01-222 7899) — The Hague

May 19-20
Campaign Marketing: The advertising and marketing conference (01-680 7525) — Royal Lancaster Hotel, W2

May 19-21
Spectra: Retail Europe '87 (0734 794161) — Novotel, London

May 21
Institute of Directors: Directors' responsibilities and liabilities (01-839 1233) — 116 Pall Mall, London

May 27-28
Crown Eagle Communications: International trade finance (01-242 4111) — Tower Hotel, E1

May 28
Tolley Publishing: CSR spring updating (01-727 3503) — London Press Centre

May 29
Institute for International Research: Advanced strategies in structuring, banking and investing in mortgage securities (01-434 0301) — Royal Lancaster Hotel, W2

June 2
Chartered Institute of Management Accountants: Manufacturing automation — miracle or mirage? (01-637 2311) — The Brewery, Chiswell St, EC1

June 3
Oracle Business Information: managing a unit trust group (01-580 5588) — Cavendish Conference Centre, W1

June 4
The Institute of Economic Affairs; The costs of regulation (01-799 3745) — St Ermin's Hotel, SW1

June 6
Textile Institute: Narrow fabrics group conference (061-834 8457) — Derby

June 8-9
International Finance Roundtable; Globalisation of the world financial markets (New York (212) 696-0215) — The Plaza, New York City

June 9-10
Financial Times: International collaboration in aerospace—problems, progress and prospects (01-621 1355) — Paris

June 16-17
Financial Times: Retailing (01-621 1355) — Hotel Inter-Continental, W1

June 18
Longman Seminars: Commercial Agreements in the Music Industry (01-242 4111) — Cavendish Conference Centre, W1

June 19
International Business Communications: Pensions regulations (01-236 4080) — Royal Lancaster Hotel, W2

June 22-23
Financial Times: World gold conference (01-621 1355) — Venice

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published

APPOINTMENTS

Head for Moscow Narodny Bank

At MOSCOW NARODNY BANK LTD Mr D. J. Penzin has retired as chairman and managing director of the bank upon his return to Moscow. Mr A. S. Maslov has been appointed chairman and managing director in his place.

★

CHRISTIE'S has appointed Mr Alexander Meddowes as its deputy chairman in Scotland. He joined the Scottish branch as picture director in February 1984.

★

At the WEST OF ENGLAND BUILDING SOCIETY Mr Percy B. Browne has been appointed chairman and Mr W. Norman Reading vice chairman.

★

Mr Malcolm Kimmins has been appointed chief executive of the CORNEY AND BARROW GROUP. He joins from Wm Sanderson & Son where he was vice chairman and managing director. He succeeds Mr Nicholas Stanley who is leaving to concentrate on family business interests.

★

The GA GROUP has made the following board appointments: Mr J. A. (Archie) Donaldson, who recently retired as group treasurer of ICI, and Mr J. D. Houston, who is senior vice president of Sterling-Europa, became non-executive directors: Mrs Myra Cameron, company secretary, is the new executive director.

★

Mr Nigel Barnard has been appointed marketing and broker sales director of CROWN FINANCIAL MANAGEMENT. He was responsible for broker sales operations.

★

Mr D. G. Eustace will be appointed finance director of BRITISH AEROSPACE. When Mr B. E. Friend retires in 1988. Mr Eustace, currently director of finance of British Alcan Aluminium, will join British Aerospace in September.

★

Mr Roy Spence, managing director of Saccone & Speed, has joined the IDV (UK) board. He will assume the role of managing director for all of IDV's wholesaling activities, including both W&A Gilbey (Wine and Spirit Merchants) and Saccone & Speed. Mr Alastair Eadie, managing director of W&A Gilbey (Wine & Spirit Merchants), will be taking on a new role as external affairs director, IDV (UK). He has increasingly become involved in an IDV liaison role with both the UK government and the EC. His new responsibilities will also include both the public relations and trade relations departments. Mr Colin Gordon has been appointed chairman of Saccone & Speed.

★

Mr Malcolm Kelly, chairman and managing director of Integrated Hydraulics, has been appointed chairman of the BRITISH FLUID POWER ASSOCIATION (BFPA) for 1987-88.

Mr John Forrest, operations director UK, Vickers Systems, has been appointed vice chairman.

★

CERAF has made changes to its management: Mr Bernard Ball retires as managing director and becomes chairman. Mr Colin Smith and Mr Peter Curtis will become joint managing directors. Mr Jeffrey Clarke will be group secretary and finance director, while Mr Hu Middleton and Mr Frank Wiggins become joint managing directors of Ceraf Special Works with places on the main board. Colin Caddy will be appointed a director of Ceraf Special Works. Cerplant will have Mr John Clapp as managing director while both he and Mr Alan Blanshard will be given seats on the main board.

★

BIRCHWOOD CONCRETE PRODUCTS a subsidiary of C. H. Beazer (Holdings) has appointed Mr Tom Wright as sales and marketing director. He joins from Redman Fisher Engineering where he was general sales manager.

هكذا منت الأصل

WORLD STOCK MARKETS

AUSTRIA

1987 High	1987 Low	May 15	Price Sch%
2410	1900	Creditanstalt	1900
3210	2950	Goesser	2970
13,200	11970	Interunfall	11970
14,000	8000	Jungbunzlauer	8500
2125	1800	Laenderbank	1800
712	600	Perlmooser	685
1a7	140	Steyr-Daimler	140
1113	750	Veitscher Mag	800

DENMARK

1987 High	1987 Low	May 14	Price Kr %
970	720	Baltica Skand	900
299	251	Cop Handelsbank	273
410	323	D. Sukkerfab	340
375	309	Den Danske Bank	340
228	160	East Asiatic	197
980	830	Forenede Bryg	870
357	260	GNT Holding	272
845	695	I.S.S.B. Systems	760
575	455	Jyske Bank	510
294	238	Novo Inds.	254
295	243	Privatbanken	275
875	675	Sophus Berendsen	850
237	149	Superfos	237

NORWAY

1987 High	1987 Low	May 15	Price Kroner
76	57	Aker-Norcem	65.00
191	169	Bergen bank	183.50
327.5	260	Bergesen B	320.00
211	182	Christiania Bk	200.00
208	148	Den Norsk Credit	162.00
106	86.5	Elkem	102.00
161	133	Kosmos	139.00
212.5	170	Kvaerner	202.50
258	204	Norsk Data	226.00
202	131	Norsk Hydro	202.00
424	370	Orkla Borregaar	377.00
[illegible]	[illegible]	[illegible]	[illegible]

SWEDEN

[illegible]

SPAIN

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

ITALY Continued

1987 High	1987 Low	May 15	Price Lire
141200	129000	Generali Assicur	132825
101000	72000	Italcement	94500
1340	960	La Rinascente	1275
2968	2620	Montedison	2740
14700	11900	Olivetti	13070
7840	6569	Pirelli Co	6730xr
5750	4990	Pirelli Spa	5600
4960	4080	Saipem	4080
4895	4251	Snia BPD	4285
35500	27720	Toro Assic	32900

AUSTRALIA

1987 High	1987 Low	May 15	Price Aust$
4.1	2.55	ACI Int.	4.00
3.8	1.8	A.F.P.	2.70
14.5	8.1	Adelaide Steams	9.20
5.04	4.15	Amcor	4.45
6.5	4.27	ANZ Group	6.34
3.4	2.65	Ampol Pet	3.40
3.75	3.15	Ariadne Aust	3.28
4.7	2.7	Ashton	4.30
3.75	3.01	Aust Guarant	3.30
3.7	1.9	Aust Nat Inds	3.60
8.4	7.1	Bell Group	8.36
6.4	4.5	Bell Resources	5.92
2.92	2	Bond Corp Hldgs	2.60
5	4.35	Boral	4.95
5.4	3.1	B'ville Copper	5.18
9.99	7.65	Brambles Inds	9.20
1.89	0.85	Bridge Oil	1.60
10.35	7.75	BHP	10.00
11.8	9.04	Burns Philip	10.50
11.3	6.4	CRA	10.90
4.35	3.55	CSR	3.84
5.8	3	Chase Corp	3.10
1.85	0.7	Claremont Petro	1.40
7.16	6	Coles Myer	7.10
3.65	2	Comalco "A"	3.48
0.74	0.2	Consolidated Pet	0.63
3.8	2.05	Costain Aust	2.90
5.1	4	Elders IXL	4.65
2.5	1.55	Energy Res	2.50
[illegible]	[illegible]	[illegible]	[illegible]

BELGIUM/LUXEMBOURG

[illegible]

FINLAND

[illegible]

SOUTH AFRICA

[illegible]

FRANCE

[illegible]

SWITZERLAND

[illegible]

NETHERLANDS

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices May 15

[illegible]

MONTREAL

Closing prices May 15

[illegible]

OVER-THE-COUNTER

Nasdaq national market, Closing prices May 15

Continued from Page 47

[illegible]

Indices

NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

[illegible]

Closing prices, May 15

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR s	.50	1.6	22	46	31⅜	31	31	−⅜
37	21⅞	ADT	.92	2.9	18	208	32⅞	31	31¼	−¾
27⅝	15¾	AFG s	.16	.6	11	586	25¾	24¾	25	
44¾	16¾	AGS			22	113	43¾	43¼	43¼	−¾
13¾	6¾	AMCA				31	8⅛	8	8	−¼
9⅜	4⅞	AM Intl				926	6⅞	6⅝	6⅝	−⅜
62⅛	47¼	AMR			12	2557	57¾	56½	56½	−1⅛
27½	25	ANR pf	2.67	10		2	26¼	26¼	26¼	+½
25	20⅞	ANR pf	2.12	9.2		6	23	22½	23	
11¾	8	ARX s			12	54	10¾	10½	10½	−⅜
73½	28¾	ASA	2a	3.0		1634	67	65½	65⅝	−¼
20	9¾	AVX		1.7	93	284	18¾	18⅜	18½	−⅜
67	41	AbtLb s	1	1.7	24	10788	61	58⅝	58⅞	−3
34¾	25	AccoWd	.62	2.1	19	145	30	29¾	29¾	
15⅛	9	AcmeC	.40	3.1	9	145	13¼	12⅞	12⅞	−¼
8⅜	6⅛	AcmeE	.32b	4.2	23	7	7⅝	7⅝	7⅝	−⅛
23⅞	18	AdaEx	3.42e	16.		89	21¼	21	21	−⅛
19½	11⅜	AdmM s	.24	1.5	12	120	16	15⅝	15⅝	−⅜
21½	12⅛	AdvSys	.62t	3.3	15	19	19⅜	19	19	−⅛
28½	12⅞	AMD				2167	21⅝	21¼	21⅜	−¼
54¾	49⅜	AMD pf	3	5.6		256	53⅝	53¼	53¼	−⅛
10¾	5¼	Adobe				243	9⅞	9¾	9¾	−¼
20½	13¾	Adob pf	1.84	9.4		5	19¾	19⅝	19⅝	−⅜
21⅞	16⅜	Adob pf	2.40	11.		15	21	20¾	21	−¼
18⅜	11½	Advest	.12a	.9	10	192	14⅜	13¾	13¾	−¾
68¼	53	AetnLf	2.76	4.8	9	4845	57½	57⅛	57⅛	−⅞
53⅝	51⅛	AetL pf	2.81e	5.4		5	52⅞	52⅛	52⅞	−¼
53	22½	AfilPb s	.32	.6	28	343	u53⅞	52¾	53⅛	+⅛
28¾	18⅞	Ahmns s	.88	4.4	8	6037	20⅜	19⅞	19⅞	−⅝
5¾	2⅞	Aileen				45	4⅜	4¼	4¼	−⅛
48½	23⅛	AirPrd	.80	1.8	253	2794	46⅝	45½	45⅝	−⅝
36	16	AirbFrt	.60	1.7	14	228	35½	35⅛	35½	

Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Close
41½	28¼	Whirpl s1.10		3.1	13	2779	36	35½	35⅞	−⅛
30	21	Whitehl			44	58	22⅝	22	22	−⅜
35	24⅞	Whittak .60		1.8	100	239	34⅛	33⅞	33⅞	−⅛
17¼	6⅝	Wilfred .12		1.6	10	43	7½	7⅜	7⅜	+⅛
25¼	11⅞	WillcxG.15		.7	15	49	23⅛	22⅝	22⅝	−⅝
34¾	17⅝	WilliamI.40		4.6		1566	31⅜	30¾	30¾	−¼
7⅛	4½	WilshrO				3	5¾	5¾	5¾	
17¾	11⅝	Winchl n.45e		3.6		111	12½	12⅛	12½	
59	38¼	WinDix1.80		4.1	17	338	45½	44¼	44⅜	−1⅛
17⅞	9	Winnbg .40		3.1	17	451	13	12⅝	12¾	−¼
6⅛	2⅝	Winner				55	3⅛	3	3	
10⅝	5¼	WinterJ.16a		3.1	23	80	5½	d5	5⅛	
64½	45½	WiscEn2.68		5.9	11	319	46⅝	45⅞	45½	−½
31	26¼	WisG pf2.55		9.5		16	27	26½	26½	−½
60¼	42½	WiscPL3.04		6.6	11	55	46⅞	46	46	−⅝
63	42⅜	WiscPS 3		6.5	12	310	46½	45⅞	45⅞	−½
47⅜	31⅛	Witco s 1.12		2.6	14	416	44	42⅝	42⅝	−1
14	8⅛	WolvrW				97	11⅝	11¼	11⅜	−½
54	37	Wlwth s1.32		2.8	14	2999	48¼	47	47⅛	−1½
7¼	2	WrldAr				39	6½	6⅛	6½	
19¾	14⅜	WrldVl n				44	17⅛	16⅞	17	
54	39	Wrigly s1.04		2.2	17	127	48⅝	47⅝	47⅝	−1⅛
3⅞	1⅜	Wurltzr				15	2½	2½	2½	+⅛
18⅞	11	WyleLb .32		1.8	32	49	17⅞	17⅝	17⅝	−¼
25¾	16	Wynns .60		3.6	12	113	16⅝	16¼	16½	+½

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Close
81¼	48⅝	Xerox	3	3.9	18	3059	78½	77	77	−2
58¼	55	Xerox pf5.45		9.8		12	55⅝	55⅝	55⅝	
28¾	21½	XTRA	.64	2.5		157	25⅝	25⅛	25	−⅜
24⅛	13½	Yorktn			15	707	24	23¾	23⅞	+⅜
5	2¼	Zapata				642	5	4⅞	4⅞	−⅛
43⅞	20¾	Zayre s	.40	1.6	16	6798	25⅞	24¼	24⅝	−½
14¾	9¾	Zemex	.40	3.2	6	19	12½	12¼	12½	+¼
29¼	18⅞	ZenithE				2454	u29⅝	28⅝	28⅞	−⅜
17½	8	ZenLb s				934	11⅛	10¼	10¾	−⅜
19⅞	12⅜	Zero	.36	2.0	19	130	18	17¾	17⅞	+⅛
51¾	32¾	Zurn	1.32	2.9	18	205	46⅛	45⅝	45¾	−½
10⅜	8¾	Zweig n.10e		1.1		885	9¼	9	9⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, May 15

[illegible]

OVER-THE-COUNTER

Nasdaq national market, Closing prices, May 15

[illegible]

Continued on Page 45

FOREIGN EXCHANGES

The debate continues on sterling's EMS entry

By Colin Millham

STERLING'S FULL membership of the European Monetary System will become the subject of increasing debate after the general election.

This assumes the public opinion polls are right, and there is no sharp deterioration in support for the Conservatives before June 11.

It has been suggested the previous Cabinet was in favour of EMS membership, with the notable exception of Mrs Maragaret Thatcher, the Prime Minister.

If there is to be anothr period of Tory rule, the question is: how long will it take before Mrs Thatcher accepts that the advantages of joining the EMS outweigh the problems?

The City is prepared to believe it will not take too long, and considers it a strong possibility that sterling will become a full member of the EMS, participating in the joint float, before the end of the year.

Speculation about changes to the EMS also increased in other European financial centres last week, after the Bank of Italy let it be known it was operating a more flexible policy, and was prepared to tolerate a significant fall in the value of the lira against the D-Mark.

This led to suggestions the lira might be brought into the main group of currencies, allowed only a 2¼ per cent band of movement, compared with 6 per cent allowed for the Italian currency at present, but that if sterling joined the mechanism it might be necessary to give the pound a wider permitted range. The view in the City has appeared to be that sterling would have to fall in value against the D-Mark before full membership could be considered. Last week Mellon Bank suggested a level of around DM 2.50 to DM 2.80 as politically and economically acceptable.

On Friday, Barclays Bank said there was a feeling that we have seen the top for pound, particularly against the D-Mark. This was based on the attitude and actions of the Bank of England.

The authorities have intervened strongly to hold sterling below DM 3.00, and in last week's Bank of England Quarterly Bulletin suggested a weakening of the currency would be welcome. In its latest Market Review, Midland Bank looks towards possible EMS entry within six months, and forecasts that in six months' time the pound's value will be around DM 2.82.

But there is another side to the story. Credit Suisse First Boston also foresees sterling's full time participation in the EMS, providing there is a win for the Tories in the election. On the other hand Credit Suisse does not expect the pound to be below DM 3.00 on entry.

It forecasts that sterling will become a full member at around DM 3.20, commenting that this high value will be attractive because it will reduce inflation. The alternative of holding the pound at a lower rate will overheat the economy, according to Credit Suisse, because it will be necessary to cut short term interest rates below 7 per cent.

The argument continues that even at DM 3.20 sterling would be below its value before the middle of 1988 and UK labour costs would be low by European standards.

Credit Suisse suggests that by allowing the pound to appreciate, the Bank of England will not be forced to cut interest rates excessively, leading to an unsustainable expansion of spending and credit.

Sterling is seen to be much more competitive against Continental currencies than in the years of high oil prices from 1980 to 1985, and Credit Suisse also says there has been a substantal improvement in the ability of UK industry to supply goods that are attractive on world markets.

£ IN NEW YORK

May 15	Close	Previous Close
£ Spot	1.6800-1.6810	1.6800-1.6810
1 month	0.22-0.20 pm	0.27-0.25 pm
3 months	0.57-0.54 pm	0.65-0.62 pm
12 months	1.23-1.15 pm	1.22-1.12 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	May 15	Previous
8.30 am	73.7	73.6
9.00 am	73.7	73.6
10.00 am	73.6	73.6
11.00 am	73.6	73.7
Noon	73.7	73.6
1.00 pm	73.7	73.7
2.00 pm	73.6	73.7
3.00 pm	73.7	73.7
4.00 pm	73.6	73.7

CURRENCY RATES

May 15	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.77963	0.694069
U.S. Dollar	5.5	1.3081	1.16500
Canadian $	7.90	*	1.55702
Austrian Sch.	4	16.4044	14.6067
Belgian Franc	8	48.4113	43.0757
Danish Krone	7	N/A	7.81362
Deutsche Mark	3.0	2.3321	2.07695
Neth. Guilder	4½	2.63051	2.34141
French Franc	9½	7.7902	6.93580
Italian Lira	11.5	N/A	1505.30
Japanese Yen	2½	182.34	162.424
Norway Krone	8	8.66851	7.73499
Spanish Peseta	—	N/A	145.275
Swedish Krona	7½	8.14660	7.26724
Swiss Franc	3.5	1.91565	1.70497
Greek Drach.	20½	173.658	154.944
Irish Punt	—	0.875139	0.776664

*CS/SDR rate for May 14: 1.74764

CURRENCY MOVEMENTS

May 15	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.6	N/A
U.S. Dollar	99.8	"
Canadian Dollar	76.7	"
Austrian Schilling	138.4	"
Belgian Franc	100.3	"
Danish Krone	93.7	"
Deutsche Mark	147.5	"
Swiss Franc	175.5	"
Guilder	135.6	"
French Franc	71.8	"
Lira	47.3	"
Yen	226.5	"

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

May 15	£	$
Argentina	2.2675-2.6695	1.5800-1.5860
Australia	2.3740-2.3500	1.3965-1.3970
Brazil	50.9065-51.1910	30.2620-30.4130
Finland	7.2655-7.2780	4.3280-4.3300
Greece	221.09-225.10	131.63-133.96
Hong Kong	13.1120-13.1330	7.8005-7.8015
Iran	117.50*	70.00*
Korea (Sth)	1387.55-1400.10	826.00-832.80
Kuwait	0.4580-0.4590	0.27250-0.27265
Luxembourg	61.70-61.80	36.75-36.85
Malaysia	4.4095-4.5080	2.4680-2.4695
Mexico	2052.30-2073.70	1220.00-1232.00
N. Zealand	2.9065-2.9115	1.7290-1.7310
Saudi Ar.	6.3065-6.3120	3.7495-3.7505
Singapore	3.5600-3.5690	2.1185-2.1200
S. Af. (Cm)	3.3505-3.3660	2.0020-2.0060
S. Af. (Fn)	5.3380-5.5130	3.1745-3.2785
Taiwan	54.25-54.55	32.35-32.45
U.A.E.	6.1770-6.1825	3.6725-3.6735

*Selling rate.

Correction for May 15: U.A.E. $3.6725-3.6735

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6785	1.6773	1.6738	1.6704	1.6679
D-mark	2.9850	2.9724	2.9483	2.9114	2.8464
French Fr.	9.9825	9.9867	9.9784	9.9929	9.9873
Swiss Fr.	2.4525	2.4413	2.4229	2.3952	2.3434
Yen	234.50	233.54	231.65	229.03	224.01

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0757	+1.45	+0.75	±1.5344
Danish Krone	7.85212	7.81362	−0.49	−1.19	±1.6404
German D-Mark	2.05853	2.07695	+0.89	+0.19	±1.0981
French Franc	6.90403	6.93580	+0.46	−0.24	±1.3674
Dutch Guilder	2.31943	2.34141	+0.95	+0.25	±1.5012
Irish Punt	0.768411	0.776664	+1.07	+0.37	±1.6684
Italian Lira	1483.58	1504.30	+1.40	+1.26	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

May 15	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.679	2.985	234.5	9.983	2.453	3.368	2160.	2.247	61.75
$	0.596	1.	1.778	139.7	5.947	1.461	2.006	1287.	1.339	36.79
DM	0.335	0.562	1.	78.56	3.344	0.822	1.128	723.6	0.753	20.69
YEN	4.264	7.158	12.73	1000.	42.57	10.46	14.36	9211.	9.581	263.3
F Fr.	1.002	1.681	2.990	234.9	10.	2.457	3.373	2164.	2.251	61.86
S Fr.	0.408	0.684	1.217	95.62	4.070	1.	1.373	880.7	0.916	25.18
H Fl.	0.297	0.498	0.886	69.64	2.964	0.728	1.	641.4	0.667	18.34
Lira	0.463	0.777	1.382	108.6	4.622	1.135	1.559	1000.	1.040	28.59
C $	0.445	0.747	1.329	104.4	4.443	1.092	1.499	961.3	1.	27.48
B Fr.	1.619	2.718	4.834	379.8	16.17	3.972	5.453	3498.	3.639	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

May 15	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	4⅞-5	4⅞-5	5-5⅛	5-5⅛	5-5⅛	5-5⅛
Sw. Franc	⅛-1¼	1¼-1½	3⅛-3¼	3¼-3⅜	3 11/16-3⅞	3⅝-3⅞
Deutschmark	3⅝-3¾	3 7/16-3 11/16	3 9/16-3 11/16	3 9/16-3 11/16	3 9/16-3 11/16	3¾-3⅞
Fr. Franc	8⅛-8¼	8⅛-8¼	8⅛-8¼	8 3/16-8 5/16	8⅜-8½	8 9/16-8 11/16
Italian Lire	9-11	8½-10	9⅛-9⅞	9½-10	9¾-10⅛	10-10½
B. Fr. (Fin.)	6⅞-7	6⅞-7½	7-7⅛	7⅛-7¼	7 3/16-7 5/16	7 5/16-7 7/16
B. Fr. (Con.)	6¾-7	6⅞-7½	7-7¼	7 3/16-7 5/16	7¼-7½	7⅜-7⅝
Yen	3 9/16-3 11/16	3 11/16-3¾	3 11/16-3⅞	3¾-3 13/16	3¾-3 13/16	3¾-3 13/16
D. Krone	9⅞-10⅛	10-10½	9⅞-10⅛	9¾-10¼	9⅞-10⅛	10¼-10¾
Asian $Sing	2¾-3	N/A	4 1/16-4 3/16	4 1/16-4 3/16	4 1/16-4 3/16	4¼-4½

Long-term Eurodollars: Two years 8⅜-8⅝ per cent; three years 8¾-9 per cent; four years 9-9¼ per cent; five years 9⅛-9⅜ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

May 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6755-1.6830	1.6780-1.6790	0.24-0.21c pm	1.61	0.60-0.55 pm	1.37
Canada	2.2420-2.2542	2.2453-2.2484	0.26-0.19c pm	1.20	0.40-0.29 pm	0.61
Netherlands	3.36¼-3.37½	3.36¼-3.37¼	1⅛-⅞c pm	3.56	3⅛-2¾ pm	3.49
Belgium	61.70-62.14	61.70-61.80	13-6c pm	1.85	30-19 c pm	1.59
Denmark	11.23-11.26¼	11.24-11.25	⅝-1⅛ ore dis	−1.20	3-4½ dis	−1.33
Ireland	1.1163-1.1216	1.1170-1.1180	0.15-0.24 p dis	−2.09	0.39-0.63 dis	−1.83
W. Germany	2.98½-2.99½	2.98-2.99	1½-1⅛pf pm	5.28	4-3½ pm	5.03
Portugal	231.83-233.50	231.83-232.81	90-160c dis	−6.46	335-425 dis	−6.54
Spain	206.68-209.64	208.68-209.14	154-240c dis	−11.32	424-534 dis	−9.17
Italy	2159½-2173½	2159½-2160½	par-4 lire dis	−1.11	6-9 dis	−1.39
Norway	11.09¾-11.16¼	11.11-11.12	4⅞-5⅞ ore dis	−5.80	15⅞-17¼ dis	−5.94
France	9.97¾-10.00½	9.97¼-9.98¼	⅝-par c pm	0.38	1-⅛ pm	0.23
Sweden	10.43¾-10.47½	10.44¼-10.45¼	⅜-1⅛ ore dis	−0.86	2½-3⅝ dis	−1.17
Japan	233¾-235	234-235	1⅛-⅞ y pm	5.12	3-2¾ pm	4.90
Austria	20.95-21.11	20.95-20.98	9-7¼ gro pm	4.79	18¼-16⅝ pm	3.33
Switzerland	2.44¾-2.45¾	2.44¼-2.45¼	1⅜-1 c pm	5.81	3⅛-2⅞pm	4.89

Belgian rate is for convertible francs. Financial franc 62.05-62.15. Six-month forward dollar 0.94-0.89 c pm. 12-month 1.21-1.11 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

May 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6755-1.6830	1.6780-1.6790	0.24-0.21c pm	1.61	0.60-0.55 pm	1.37
Ireland†	1.4970-1.5061	1.5015-1.5025	0.63-0.58c pm	4.07	1.50-1.35 pm	3.20
Canada	1.3361-1.3405	1.3395-1.5405	0.06-0.09c dis	−0.67	0.26-0.29 dis	−0.82
Netherlands	1.9980-2.0125	2.0055-2.0065	0.33-0.28c pm	1.82	1.08-1.03pm	2.10
Belgium	36.80-37.01	36.75-36.85	2pm-1 c dis	−0.16	4pm-1 dis	−0.16
Denmark	—	6.69¾-6.70¼	1.50-1.80ore dis	−2.95	4.40-4.90 dis	−2.77
W. Germany	1.7740-1.7850	1.7845-1.7855	0.52-0.49pf pm	3.40	1.61-1.56pm	3.55
Portugal	138¼-139	138¼-138¾	85-115c dis	−8.66	260-310 dis	−8.23
Spain	124.20-124.75	124.45-124.55	50-150c dis	−9.62	250-450 dis	−11.22
Italy	1284-1294	1286½-1287½	0.30-0.35lire dis	−3.01	0.85-0.95dis	−2.78
Norway	6.62-6.64½	6.62-6.62½	4.00-4.30ore dis	−7.50	12.00-12.40dis	−7.35
France	5.93¾-5.95¾	5.94½-5.95	0.60-0.75c dis	−1.36	1.65-1.95 dis	−1.21
Sweden	6.21-6.24¼	6.22½-6.23	1.40-1.50ore dis	−2.79	3.90-4.20 dis	−2.60
Japan	138.85-139.90	139.75-139.85	0.40-0.37y pm	3.31	1.25-1.20 pm	3.51
Austria	12.48¾-12.54½	12.51½-12.52	3.20-2.80gro pm	2.87	9.50-8.50 pm	2.87
Switzerland	1.4557-1.4650	1.4605-1.4615	0.50-0.45c pm	3.89	1.29-1.24 pm	3.43

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.95-37.05.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
122	4.19	5.38	0.01	1.30
124	2.20	4.18	0.02	2.10
126	0.51	3.15	0.33	3.07
128	0.09	2.15	1.55	4.07
130	0.02	1.38	3.48	5.30
132	0.00	1.10	5.46	7.32
134	0.00	0.51	7.46	8.43

Estimated volume total, Calls 3,532 Puts 722
Previous day's open int: Calls 26,900 Puts 16,799

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
84	5.44	6.10	0.00	1.24
86	3.44	4.53	0.00	2.03
88	1.44	3.34	0.00	2.48
90	0.00	2.28	0.20	3.42
92	0.00	1.39	2.20	4.53
94	0.00	0.63	4.20	6.13
96	0.00	0.39	6.20	7.53
98	0.00	0.24	8.20	9.38

Estimated volume total, Calls 45 Puts 109
Previous day's open int: Calls 1,217 Puts 1,298

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last May	Calls-Last June	Puts-Last May	Puts-Last June
20250	17.40	17.92	0.00	0.52
20500	14.91	15.70	0.01	0.80
20750	12.42	13.59	0.02	1.19
21000	9.98	11.60	0.08	1.70
21250	7.63	9.77	0.23	2.37
21500	5.48	8.10	0.58	3.20
21750	3.64	6.60	1.24	4.20
22000	2.20	5.30	2.30	5.40

Estimated volume total, Calls 21 Puts 31
Previous day's open int: Calls 247 Puts 332

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last May	June	July	Sept.	Puts—Last May	June	July	Sept.
1.45	[illegible]							
1.50	[illegible]							
1.55	[illegible]							
1.60	[illegible]							
1.65	[illegible]							
1.70	[illegible]							
1.75	[illegible]							

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last				Puts—Last			
1.600	[illegible]							
1.625	[illegible]							
1.650	[illegible]							
1.675	[illegible]							
1.700	[illegible]							
1.725	[illegible]							
1.750	[illegible]							

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100% — [illegible]

THREE-MONTH STERLING £500,000 points of 100% — [illegible]

FT-SE 100 INDEX £25 per full index point — [illegible]

THREE-MONTH EURODOLLAR $1m points of 100% — [illegible]

U.S. TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6785	[illegible]	[illegible]	[illegible]	[illegible]

IMM—STERLING $e per £

	Latest	High	Low	Prev
June	1.6785	1.6815	1.6750	1.6755
Sept.	1.6740	1.6780	1.6700	1.6705
Dec.	1.6710	1.6760	1.6690	1.6675
Mar.	1.6710	1.6750	—	1.6670

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.6780	1.6790	1.6775	1.6755
Sept.	1.6730	1.6730	1.6725	1.6705
Dec.	1.6705	—	—	1.6680

Estimated volume 95 (1)
Previous day's open int 353 (353)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

STANDARD & POORS 500 INDEX $500 times index — [illegible]

MONEY MARKETS

Yield curve turns positive

THE YIELD curve on the London money market turned positive last week. A clearing bank was reported to be an issuer of one-year bills on Friday, tending to suggest at least one bank does not expect any further fall in base rates to be sustained.

This kept the longer end of the market firm at 8⅞-8 11/16 per cent, while one-month and three-month interbank fell to 8 11/16-8 9/16 per cent, pointing towards the possibility of another cut in base rates before the June election.

UK clearing bank base lending rate 9 per cent since May 8

The public opinion polls showed no decline in support for the Conservatives. This added to the attraction of the pound, and as the Bank of England intervened to stem sterling's advance the prospects of lower base rates appeared to increase.

In New York Chase Manhattan Bank increased its prime lending rate by ¼ per cent to 8¼ per cent.

Earlier in the week there had been speculation the US Federal Reserve would lift its discount rate by ½ per cent to 6 per cent.

In Frankfurt there was an easing of short-term money rates. The West German Bundesbang allocated funds at a 28-day securities repurchase agreement tender at a rate of 3.55 per cent, compared with the previous fixed level of 3.80 per cent. The effective floor level for call money was also reduced when the central bank cut the rate on three-day Treasury bills to 3.20 per cent from 3.50 per cent. This is the rate at which the Bundesbank absorbs surplus liquidity from the market.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 15) 3 months U.S. dollars		6 months U.S. dollars	
bid 7⅜	offer 7¼	bid 7⅜	offer 7½

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	May 15	May 8		May 15	May 8
Bills on offer	£100m	£100m	Top accepted rate of discount	8.3027%	8.5434%
Total of applications	£492m	£498m	Average rate of discount	8.2568%	8.4981%
Total allocated	£100m	£100m	Average yield	8.43%	8.68%
Minimum accepted bid	£97.93	£97.87	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	26%	25%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	May 15	change		May 15	change
LONDON			NEW YORK		
Base rates	9	Unch'd	Prime rates	8¼	+¼
7 day Interbank	8⅝	−1 1/16	Federal Funds	6 11/16	−⅛
3-month Interbank	8⅝	−3/16	3 Mth. Treasury Bills	6.12	+0.42
Treasury Bill Tender	8.2568	−0.2413	6 Mth. Treasury Bills	6.50	+0.33
Band 1 Bills	8⅞	Unch'd	3 Mth. C D	7.08	+0.19
Band 2 Bills	8⅞	Unch'd	FRANKFURT		
Band 3 Bills	—	—	Lombard	5.0	Unch'd
Band 4 Bills	—	—	One mth. Interbank	3.70	−0.125
3 Mth. Treasury Bill	8 7/16	−3/16	Three month	3.70	+0.175
1 Mth. Bank Bills	8 13/32	−3/32	PARIS		
3 Mth. Bank Bills	8 13/32	−3/16	Intervention Rate	7¾	Unch'd
TOKYO			One mth. Interbank	8⅛	Unch'd
One month Bills	3.78125	−0.0625	Three month	8¼	Unch'd
Three month Bills	3.71875	−0.0625	MILAN		
BRUSSELS			One month	10⅜	+½
One month	7⅛	−⅛	Three month	10⅜	+¼
Three month	7¼	—	DUBLIN		
AMSTERDAM			One month	11 11/16	+3/16
One month	5 3/32	−3/32	Three month	10⅞	+⅛
Three month	5 1/16	−⅛			

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	8	One month	4.99	Three year	8.20
Broker loan rate	8¼	Two month	5.35	Four year	8.38
Fed. funds	6 11/16	Three month	6.15	Five year	8.41
Fed funds at intervention	6⅞	Six month	6.54	Seven year	8.66
		One year	7.23	10 year	8.77
		Two year	7.93	30 year	8.93

May 15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.55-3.65	3.65-3.75	3.65-3.75	3.65-3.75	3.65-3.80	5.0
Paris	8 3/16-8 5/16	8 3/16-8 5/16	8 3/16-8 5/16	8 3/16-8 5/16	8⅛-8¼	7¾
Zurich	⅞-1⅛	3-3¼	—	3⅛-3⅜	—	—
Amsterdam	4 13/16-5 1/16	5 1/16-5⅛	—	5-5⅛	—	—
Tokyo	3.15625	3.78125	—	3.71875	—	—
Milan	9⅞-10⅛	10⅛-10⅜	—	10⅛-10⅜	—	—
Brussels	7.05	7 1/16-7 3/16	—	7 3/16-7 5/16	—	—
Dublin	11¾-12	11⅝-11⅞	11-11¼	10¾-11	10½-10¾	—

LONDON MONEY RATES

May 15	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11-8	8½-8¼	8 11/16-8 9/16	8 11/16-8 9/16	8¾-8⅝	8⅞-8 11/16
Sterling CDs	—	—	8 11/16-8½	8 11/16-8½	8 11/16-8½	8 31/32-8 13/16
Local Authority Deposits	8⅛	8¼	8½	8½	8½	8½
Local Authority Bonds	—	—	9⅛	9	8 11/16	9
Discount M'ket Deposits	9½-8	8⅜	8⅝	8⅜	—	—
Company Deposits	9-8¼	8⅞	8⅞	8⅝	8⅝	8⅝
Finance House Deposits	—	—	8⅞	8⅞	8¾	8¾
Treasury Bills (Buy)	—	—	8 7/16	8⅜	—	—
Bank Bills (Buy)	—	—	8 13/32	8 13/32	8 5/16	—
Fine Trade Bills (Buy)	—	—	9 3/16	9 3/16	8 13/16	—
Dollar CDs	—	—	6.95-6.90	7.05-7.00	7.55-7.50	8.05-8.00
SDR Linked Deposits	—	—	6-5¾	6⅛-5⅞	6¼-6	6½-6¼
ECU Linked Deposits	—	—	6 11/16-6⅜	6 13/16-6 11/16	6 13/16-6 11/16	7-6⅞

Treasury Bills (sell); one-month 8⅜ per cent; three-months 8 5/16 per cent. Bank Bills (sell): one-month 8 13/32 per cent; three months 8 11/32 per cent; Treasury Bills: Average tender rate of discount 8.2568 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1987. Agreed rates for period May 26 to June 23, 1987, Scheme I: 11.29 p.c., Schemes II & III: 11.11 p.c. Reference rate for period April 1 to April 30, 1987, Scheme IV: 9.843 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from May 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8½ per cent; three-six months 8⅝ per cent; six-nine months 8⅝ per cent; nine-12 months 8⅝ per cent; Under £100,000 8 per cent from May 13. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.